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Spanish doubts about EMU
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World Business Newspaper — TUESDAY OCTOBER 10 1995 — D8523A

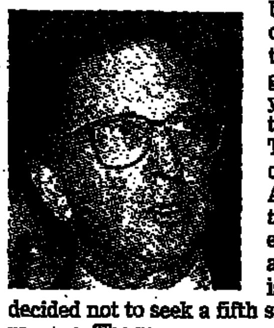
Brussels likely to approve $5.2bn packaging merger

The European Commission is likely to approve a proposed alliance between Crown Cork & Seal of the US and France's CarnaudMetalbox, creating the world's largest packaging company, according to industry officials. Closed hearings for competitors worried about the $5.2bn deal, in which CCS will acquire CMB, have taken place in Brussels. Opposition to the merger appears to be muted and the Commission is expected to impose only limited conditions on the alliance. Page 16

UK banks expected to announce merger: Lloyds Bank and TSB Group are expected to announce a merger which would create the UK's fourth largest bank with total assets of £127.8bn ($198bn). Page 17; A merger made in heaven, Page 15; Lex, Page 16

Dozens die in Mexico quake: Mexico declared a state of emergency in the south-western coastal states of Colima and Jalisco after an earthquake measuring 7.6 on the Richter scale killed dozens of people and destroyed buildings.

US Senator Nunn announces retirement



US Senator Sam Nunn, one of the most influential Democrats in Congress, will retire next year after nearly a quarter of a century in office. The 57-year-old former chairman of the Senate Armed Services Committee (left) who is considered the most knowledgeable senator on military issues said he had decided not to seek a fifth six-year term for personal reasons. The move comes as a severe blow to what little hopes the Democrats have of regaining control of the Senate. Resignation puts Democrats on defensive, Page 16

EU minister warns of transport choices: EU Commissioner for transport Neil Kinnock warned that limits might have to be imposed on the choices people and companies make if the EU's growing transport crisis is to be solved. Page 3

Mass strike threatens France: Five million French public sector workers are set to stage their biggest strike in a decade today. The planned 24-hour stoppage is to protest at the government's refusal to push up civil service pay next year. Elite corps under attack, Page 14

Nedlloyd shares fall 15%: The shares of Nedlloyd, the Dutch shipping and road haulage group, fell 15 per cent after the company scaled down an earlier profit forecast and said it expected a substantially lower result in 1995. Page 17

Czech health minister dismissed: The Czech government dismissed its health minister to try to head off a growing crisis caused by losses at health insurance funds and a strike threat by doctors. Page 3

Brazil to end car import quotas: Brazil is preparing to end quotas on vehicle imports following criticism at a meeting of the World Trade Organisation in Geneva. Page 4

Commerzbank reaffirms UK interest: Commerzbank, the German bank, remains interested in making an investment banking acquisition in London, despite having drawn back from a bid for UK stockbroking firm Smith New Court earlier this year. Page 18

Alumax, the US aluminium group, is to buy privately-held Cressona Aluminum, a leading manufacturer of extruded aluminum products. It will pay $430m in cash and assume or retire about $70m of Cressona's obligations. Page 20

Telkom, the state-owned Indonesian domestic telecommunications group to be partially listed in a simultaneous public offering in London, New York and Indonesia within the next month, is offering the Indonesian public one bonus share for every 10 Telkom shares they buy. Page 21

US train derailment kills one: A passenger train en route from Miami to Los Angeles with 248 passengers, derailed in the Arizona desert, killing one person and injuring more than 100, in what authorities said may have been an act of sabotage.

UK traders reject drug allegations: London futures traders are keen to debunk claims of drug abuse which have arisen following the discovery of cannabis in a dealer's possession. Page 9

Former UK prime minister dies: Lord Home of the Hirsel, UK prime minister for just a year in 1963-64, has died, aged 92. Page 10

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4727.30	(-41.91)
NASDAQ Composite	987.01	(-25.03)
Europe and Far East		
CAC40	1785.71	(-23.86)
DAX	2168.69	(-2.74)
FT-SE 100	3510.3	(-16.2)
Nikkei	18176.27	(-330.01)

■ US RATES

Federal Funds	closed	(5 11/16%)
3-mth Treas Bills: Yld	closed	(5.45%)
Long Bond	closed	(105 2/3)
Yield	closed	(6.427%)

■ OTHER RATES

UK: 3-mo Interbank	6 25/32%	(6 3/4%)
UK: 10 yr Gilt	102 1/2	(103)
France: 10 yr OAT	100.93	(101.08)
Germany: 10 yr Bund	102.01	(101.92)
Japan: 10 yr JGB	113.628	(113.434)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$15.92	(15.705)

■ GOLD

New York Comex		
(Dec)	$387.8	(386.1)
London:		
close	$384.5	(383.1)

■ DOLLAR

New York lunchtime		
£	1.586	
DM	1.41395	
FFr	4.96	
SFr	1.142	
Y	100.45	
London:		
£	1.5848	(1.5809)
DM	1.4119	(1.427)
FFr	4.9575	(5.0149)
SFr	1.1406	(1.1485)
Y	100.3	(100.75)

■ STERLING

DM	2.2375	(2.2559)
Tokyo close:	Y 100.75	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60		
Estonia	Ekr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

RTZ to merge with associate

Closer link with CRA of Australia will effectively create single corporate entity

By Nikki Tait in Sydney and Kenneth Gooding in London

RTZ, the world's largest mining company, and CRA, its 49 per cent-owned Australian associate, are to merge their operations and management, effectively becoming a single corporate entity with total assets of £9bn ($14bn) and a combined market capitalisation of around £14bn.

Neither company will bid for the other, no cash will change hands or assets be exchanged. Instead, shareholders will retain their existing holdings in CRA and RTZ but vote together on all significant matters. The companies said this "dual listed company" structure was modelled loosely on the established arrangements at Unilever and Royal Dutch/Shell.

Markets did not welcome the complexity of the proposals and CRA shares closed 4 cents down at A$20.88 ($16) while RTZ lost 15p to close last night at 909p.

The catalyst for the merger appears to have been the increasingly international search for new mining projects and the potential for conflicts of interest as CRA began to look outside its traditional Australasian base.

The companies already have a history of co-operation. In the early sixties, after Rio Tinto merged with Consolidated Zinc to form RTZ, CRA was 92 per cent owned by its UK parent. While the stake was subsequently sold down, relations between the two remained very close, with senior management, for example, moving between the groups.

Shares in CRA rose strongly at the end of August on rumours that RTZ was planning to bid for the rest of the company. RTZ told the Australian Stock Exchange it did not intend to make a bid. Mr Bob Wilson, chief executive, said yesterday this was an honest response because "we did not intend to make a takeover bid for CRA, nor do we intend to make a takeover bid."

Assuming the dual listed company scheme – which is subject to shareholder approval and which the companies hope to implement by January 1 – goes ahead, the companies would report their results on a unified basis through one set of accounts. Shares of both companies, meanwhile, would be listed on both London and Australian stock markets.

Yesterday, Mr John Uhrig, CRA's chairman, said the Australian company approached RTZ early this year with the merger proposal after conducting a strategic review of CRA's operations. The current deal was more beneficial than a takeover of one company by the other, he said, as it "allows us to remain an Australian company but fast-tracks us into growth in the world mining business". Australian analysts generally gave the deal a favourable reception although some felt that CRA - which had looked constrained internationally - might be the bigger beneficiary in the long-term. In London, analysts pointed out RTZ would gain access to CRA's cash flow and would benefit from the forthcoming upturn in earnings from the Australian company's iron ore and coal businesses at a time when RTZ's copper earnings had probably peaked.

The combined group would have a strong balance sheet with gearing of only 13 per cent. RTZ shareholders would suffer some dilution but Mr Wilson promised the new combine would adapt RTZ's progressive dividend policy (instead of paying dividends to reflect the economic cycle).

Lex, Page 16

Russia to sell $2bn stake in telephone company

By George Graham in Washington and John Thornhill in Moscow

The Russian government is hoping to raise $1.8bn to $2bn by selling up to 25 per cent in Svyazinvest, the state-owned telecommunications holding company, to a foreign telephone group by the end of the year.

Mr Maxim Boyko, head of the Russian Privatisation Centre, which acts as an adviser to the government, said a consortium of merchant banks headed by N.M. Rothschild of the UK had won a contract to look for an investor, and would be approaching 12 to 14 major telecommunications companies in Europe, North America and Asia.

This offer is the latest example of how big Russian companies are looking to raise funds from western strategic and portfolio investors.

Lukoil, Russia's giant oil producer, last month sold the bulk of its $320m convertible bond issue to Atlantic Richfield, the US oil group, which will eventually emerge with a 5.6 per cent shareholding.

Gazprom, the gas monopoly producer, is also seeking to sell 9 per cent of its equity to foreign investors while several other big Russian enterprises are looking to raise funds by issuing American Depositary Receipts, which are US-listed proxy shares.

Svyazinvest owns controlling stakes in 85 local telephone companies, but it has also begun to compete with Rostelekom, Russia's dominant telecommunications company, in the long distance and international telephone market. The government plans to sell a further 24 per cent of Svyazinvest through a public offering next year.

Mr Boyko said: "There is a possibility to come in and help develop this company from scratch. It is not like a traditional Russian company where [on] buying in you immediately inherit tens of thousands of employees. The growth potential of the Russian telecommunications market is huge."

He added: "If you dial an inter-

Continued on Page 16

Tokyo knew of Daiwa loss long before US heard

By Gerard Baker in Tokyo and Richard Waters in New York

The Japanese finance ministry admitted yesterday that it knew about Daiwa Bank's huge losses in New York more than a month before it notified US authorities, raising serious doubts about the effectiveness of international financial regulation.

Daiwa also announced the resignation of Mr Akira Fujita, its president, and said that its international operations would be restructured, with increased emphasis on south-east Asia and possible cutbacks in other centres.

Mr Kyosuke Shinozawa, the senior bureaucrat at the finance ministry, said losses at Daiwa's New York branch, ultimately found to total $1.1bn, had been revealed by Mr Fujita at a routine meeting with the head of the ministry's banking bureau on August 8, less than two weeks after Daiwa had been notified of the alleged fraudulent trading of US government bonds.

The ministry has previously said it did not know about the problems until September 18. Daiwa has been widely criticised for failing to notify the authorities sooner, and officials are under investigation in the US for possible failure to report their suspicions promptly.

Mr Shinozawa said the ministry immediately instructed Daiwa at the August 8 meeting to investigate the losses in detail and confirm them as soon as possible.

Daiwa reported back to the ministry informally the exact scale of the known losses on September 12. Formal notification followed on September 18. Only then was the US Federal Reserve, the body mainly responsible for supervising Daiwa's New York branch, told.

The US authorities then started proceedings against the bank. Mr Toshihide Iguchi, the trader allegedly responsible for the losses, was arrested two days later.

Daiwa announced the losses publicly on September 26. A week later, the Federal Reserve instructed the bank to curtail most of its New York operations.

US investigators will want to know what exactly the Japanese authorities were told on August 8 and why the information was not passed to them.

The New York Fed, the branch of the Federal Reserve system that oversees Daiwa, refused to comment yesterday on the Japanese ministry's failure to pass on information sooner. "We don't want to take this opportunity to enter into a public row with the MoF," a spokesman said.

He added, though, that the Fed was intent on finding out what Daiwa did in the two months or so between discovering the problem and notifying US regulators.

At the bank's headquarters in Osaka yesterday, officials announced that Mr Fujita had resigned his post with immediate

Continued on Page 16

Daiwa Bank chairman Sumio Abekawa (right) and president Akira Fujita, who resigned yesterday with two other top executives, before the Osaka news conference to announce a reshuffle of top posts. Mr Abekawa will leave next March — Reuter

Franc weathers crisis after rise in French interest rate

By David Buchan in Paris and George Graham in Washington

The new French government appeared to have weathered its first serious currency crisis after an interest rate increase by the Bank of France and a statement of support from the Bundesbank steadied the franc yesterday.

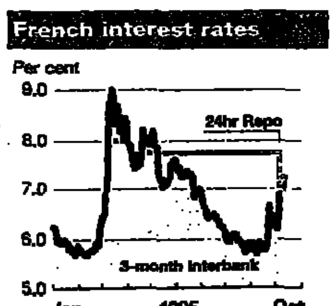
But the franc, which first sank to FFr3.53 to the D-mark before recovering to about FFr3.51, is expected to remain fragile.

French public sector unions will today hold a one-day strike which will be closely watched by financial markets for its impact on the government's declared resolve to cut deficits.

Mr Jean Arthuis, the finance minister, said in Washington he hoped the rise in the Bank of France's "repo" lending rate from 6.15 to 7.25 per cent would be of "very short duration". He also pledged that the government would "hold its course" on deficit reduction.

Mr Hans Tietmeyer, the Bundesbank president,
forecast the franc would stay

French interest rates



Source: FT Extel

"among the strong currencies because of [France's] good fundamental economic data". There was no reason the franc should not stabilise if the French government continued to cut its budget deficit, he said.

Heavy speculation against the franc started last Friday when the launching of a preliminary legal investigation into prime minister Mr Alain Juppé's personal housing affairs prompted fears he might have to resign. Coming in the wake of recent policy waverings by the Juppé government and of renewed European doubts about the feasibility of monetary union, the Juppé fears prompted a sharp slide in the franc, which lost 4 centimes against the D-mark last Friday.

The French central bank's initial action on Friday was to narrow its "repo" lending so that speculators could only borrow overnight. By raising the "repo" rate, the bank has had to reverse the graduated rate reductions it has been making since March, when it last increased rates during the French presidential election campaign.

Mr Juppé's officials had accepted that the financial markets, and the independent Bank of France, would not lower interest rates much further, until they saw the government's plan later this autumn to cut the social security deficit as well the 1996 draft budget outlined last month, but They were not counting on the cost of money rising again and this may cast a shadow over economic growth.

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Bank waves interest-rate stick as speculators nip at the currency

Market tests the French franc

By Philip Gawith in London

Ever since Jacques Chirac was elected president of France in May, foreign exchange markets have been spoiling for an attack on the franc. That moment has now arrived.

The Bank of France's decision yesterday to lift its 24-hour lending rate to 7.25 per cent, from 6.15 per cent, after the suspension last Friday of the 5-10 day lending window, was evidence that battle has again been joined between the central bank and currency speculators.

It is too early to talk of victors, or even to predict whether early skirmishes will develop into a fully fledged crisis. At the moment an uneasy stalemate prevails.

The franc closed in London yesterday at FFr3.512, six pfennigs lower than a week ago, but off its low of yesterday morning before the Bank raised rates.

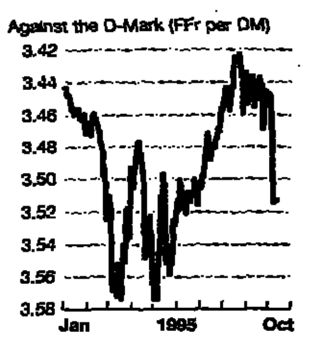
The market has been here before, during the exchange rate crises of 1992/93, and again in the first quarter of this year. Familiarity, however, has not fostered agreement. While there are many observers who believe the franc is sure to fall to FFr3.60/65 against the D-Mark, this is by no means a foregone conclusion.

Those less sure that a franc crisis lies ahead point to the strength of the Franco-German axis. The franc is the only European currency the Bundesbank has shown much appetite for defending, and if it again shows itself willing to support the Bank of France, even the bravest speculator will be forced to reconsider.

A possible pointer to Bundesbank resolve came from Mr Hans Tietmeyer, its president, who said yesterday from Washington: "The French franc, as based on economic fundamentals, is still one of Europe's strong currencies."

What the Bank of France has sought to do so far is make it more expensive to speculate against the currency. Speculators make money by borrowing the currency they believe is likely to fall, then selling it, in the belief that they will be able to buy it back again more cheaply. Their borrowings are funded at prevailing domestic interest rates.

The central bank has pursued its aims by closing its 5-10 day lending window, used by institutions to make up emergency funding shortfalls, and replacing it with a 24-hour facility which leaves borrowers more uncertain of daily interest rate moves.



Source: FT Extel

Further to that strategy, the Bank yesterday lifted the 24-hour borrowing rate to 7.25 per cent from 6.15 per cent. Generally financial institutions rely on getting their funds at the so-called intervention rate, which has been unchanged at 5 per cent for more than a year. But the central bank was also limiting access to these funds yesterday, forcing institutions to turn to the open market, where rates are higher, or emergency rates, to meet their funding needs.

Banks can absorb these costs for a few days, but if the rates are sustained, they will be forced to pass them on to corporate and retail clients.

By pursuing this strategy, the Bank not only hits speculators, it raises costs to the banking system as a whole. For this reason, the Bank, and even more the government, will be anxious not to keep rates high for long.

"It is not a sustainable position. We are talking days and possibly a few weeks, rather than months and months," said Ms Jane Edwards, international economist at Lehman Brothers in London.

In terms of costing speculators money, higher rates also have limited impact. Many of them will have locked in borrowings at three-month rates before the central bank responds. Even if they have not, the currency does not have to move far to cover the increased cost of borrowing.

But the Bank's main aim in raising short-term rates is almost certainly to send a signal to the market that it is prepared to defend the currency. In this it may yet prove successful, especially if joined by the Bundesbank.

The Bank will also take comfort that the franc has not yet faced broad-based selling. Most of the fall so far has been generated by the large US hedge funds. French investors, if anything, appear to have been buying local bonds, while New York analysts say many US fund managers still believe the French economy and franc are set fair.

Also relevant is the fact that the market has no near-term target to aim for. Within existing rules of the Exchange Rate Mechanism, the franc can fall to FFr3.89 against the D-Mark, before breaching fluctuation levels.

With central banks not forced to defend any particular level, this makes the task of the speculator more difficult.

Previously, central banks of ERM member-currencies were forced to defend much more onerous 2.25 per cent fluctuation bands. The present 15 per cent fluctuation bands were introduced in August 1993.

Brussels braced for Paris pressure

By Lionel Barber in Brussels

The European Commission is braced for a renewed French campaign for protection against currency devaluations in Italy, Spain and the UK after yesterday's rise in short-term interest rates to defend the franc.

Brussels officials predicted that French industry would respond to the squeeze with fresh calls for special relief to compensate for currency swings, even though many believe this would infringe the single market.

French exporters, supported by their government, have been lobbying Mr Yves-Thibault de Silguy, EU monetary affairs commissioner, to concede that the French economy is suffering as a result of competitive devaluations by neighbours.

Mr de Silguy, a former adviser to President Jacques Chirac and Mr Edouard Balladur, the former prime minister, is said to be torn by conflicting pressures.

He is loth to concede that a hard-currency policy in pursuit of the goal of monetary union can carry economic penalties; but he is sensitive to claims that French and Belgian exporters have suffered from temporary shocks.

Last month, the Commission's economics directorate produced a draft report which concluded there was no evidence to support French and Belgian claims that their economies were suffering.

The draft argued that strong currency countries such as France, Germany and Benelux have gained in competitiveness because their policy produced lower interest rates, low inflation and a squeeze on industrial costs.

Mr de Silguy has ordered his officials to seek more information on the effects of currency swings, particularly in trade in price sensitive sectors such as cars, furniture and textiles.

A second problem in judging currency swings is the base date for measuring change. For example, the Italian lira dropped 33 per cent against the D-Mark between summer 1992 and mid-1995, but was widely judged to be overvalued in 1992.

In an effort to placate the French and Belgians, Commission officials are examining whether to float a scheme similar to the one the Irish government used in late 1992 to offer temporary relief to exporters hurt by sterling's devaluation.

However, any scheme would be unlikely to yield large sums.

A national assistance plan would put strains on the French budget, while a Brussels subsidy would trigger counter-claims by other countries.

Unions close ranks against pay freeze

The French government's threat to wages has produced an unusual unity of purpose among organised labour, writes David Buchan in Paris

Much of France will come to a halt today as the country's 5m civil servants and public sector workers protest at a planned pay freeze next year by holding a 24-hour strike, which will also prevent many of them getting to work.

In its effort to reduce the budget deficit, Mr Alain Juppé's government is trying to restrain growth in the public sector wage bill of FFr650bn ($130m), or about 40 per cent of the total budget.

It is therefore postponing any increase in pay rates next year, though because of the carry-over effect of this year's public pay increases – including a 1.4 per cent raise on November 1 – and automatic promotion for many civil servants, the total public wage bill will increase by 3.2 per cent.

Mr Jean Puech, the civil service minister, said yesterday the government had honoured all past pay promises, and reiterated that he was ready to start negotiations by the end of this year on a pay deal covering 1997-98. He warned that the strikers could alienate French public opinion, which, in contrast to many other industrialised countries, holds civil servants and public utilities in relatively high regard.

The impact of the strike, which also involves ministries, town halls and tax collection, will be felt mainly in schools and public transport. International train services originating or ending in France, such as the cross-Channel Eurostar, will be hit more than trains transiting the country. Bus and metro services will be much reduced in Paris, where a large demonstration is planned on the city's right bank.

The strike brings together the five main federations of France's fragmented union movement, plus two that exist only in the public sector. It is show of unity not seen since all French unions joined in protest in 1986 against a similar partial pay freeze imposed by the government of the then prime minister, Mr Jacques Chirac, now president.

The stoppage is planned for today only, but unions yesterday warned of more. Mrs Nicole Notat, president of the traditionally moderate CFDT, called it "a warning shot" across the government's bows, while Mr Louis Viannet, head of the leftwing CGT, forecast a "prolongation" in order to try to bring Mr Puech to the bargaining table.

The latter, however, is only ready to discuss 1997-98 pay.

The stakes are far higher than in 1986, when the unions held their strike but the Chirac government held its line on pay. With the franc under severe pressure, and France under the Maastricht deadline to cut its deficits, Mr Juppé's government cannot afford to give the financial markets another sign of wavering on public spending. For their part, the unions have a far longer list of grievances than they had a decade ago.

On pay, the public sector unions admit they have done better than the private sector over the past three years, but still have ground to make up which was lost in the 1980s.

They also fear that the government will impose on them the pension reform decreed in 1993 for the private sector. Private employees now have to contribute over 40 years to receive pension benefits calculated on the average of their 25 highest-paid years. Civil servants get a far better deal, paying for only 37.5 years to get a pension based on their pay in their final six months of work which, given the system of automatic promotion, is always their highest.

In addition, the unions fear imminent reform of the social security system will put an end to their role as co-managers of this system along with employers. Force Ouvrière, the union federation most deeply entrenched in the welfare system, has threatened further strikes on this score alone.

Public utility employees at France Télécom, Electricité de France, Gaz de France, and the SNCF railways all feel threatened by pressure from Brussels for deregulation, if not privatisation. They recently received backing from the National Assembly's European affairs committee, which earlier this month declared that "the principles of public service go to the very organisation of French society, and are thus not negotiable, in particular with the [EU] Community authorities".

France's President Jacques Chirac arrived in Madrid yesterday for a summit with Mr Felipe González, the Spanish prime minister, which both want to steer away from controversy over French nuclear tests, Reuter reports. Mr Chirac, seen above (left) with King Juan Carlos, was shielded from protesters on arrival. However, left-wing Spanish politicians, environmentalists and unionists plan to circumvent their prime minister's good intentions and make Spanish public opinion known to the French leader. *Reuter*

Russian unions struggle for trust of workers

One of the centres of power in the Soviet era is facing a capitalist challenge, writes John Thornhill

Lenin once famously defined the role of trade unions in a workers' state as "the transmission belts from the Communist party to the masses" and until the very last days of Soviet power they faithfully upheld this highly politicised role.

Even before the Soviet era, there was little tradition of independent union initiative. Under Tsarism, the police authorities created their own controlled trade unions in an attempt to cut the ground from under the feet of revolutionaries.

This perverted legacy is still evident in Russia today. A recent nationwide survey* of 2,000 Russians by Britain's University of Strathclyde revealed widespread distrust of trade union representatives. Only 16 per cent of the respondents who were trade union members said they trusted their national leaders to look after their interests.

A quarter of the respondents said their leaders did not do much to help their members and another 25 per cent suggested they did nothing at all. Trade union members had more faith in their local representatives but still expressed doubts about their motivation.

In many companies, the office of the chief trade union official was located next door to that of the general director. Only slowly are officials beginning to distance themselves physically from management by moving into other quarters.

The great challenges confronting Russian trade unions today are therefore not only to disentangle themselves from their contentious past and create a role for themselves in a transformed political and economic climate but to win the trust of their own members.

Mr Boris Misnik, the quietly-spoken president of the Russian Mining and Steel Trade Union, who is widely regarded as one of the most progressive of a new generation of trade union leaders, says such a transformation will first require a change in the mentality of union leaders.

"Most trade union representatives are functionaries. They have a cadre of old communists and a deficit of good people," he says in his office opposite the Moscow Operetta Theatre.

On paper, at least, the official trade union movement has a strong base from which to begin the reconstruction. The unions created in Soviet times still boast 55m members, and though the headquarters receive little in membership dues, many of them have grandiose office buildings in Moscow and holiday homes on the Black Sea coast which could be sold to give them financial muscle.

The unions still have the organisational infrastructure to bring a lot of workers out on strike – though some of the most recent demonstrations in Moscow have been poorly attended, half-hearted affairs. They are also wooed by the left-of-centre political groupings which could give them a strong political voice in the run-up to parliamentary elections in December.

A recent study of Russian trade unionism by the Centre for Labour Market Studies, part of the Institute of Economics at the Russian Academy of Sciences, and the International Confederation of Free Trade Unions, found unions still widely represented in the workplace. Last year, some 87.5 per cent of enterprises had functioning trade unions with 75 per cent of Russia's workforce claiming membership.

But the report concluded that this strength was largely illusory, given the official unions' compromised past and the slowness of its leaders to adapt to new circumstances.

"Employees still consider trade unions adjuncts of management or distributors of social wealth (apartments, consumer goods, foodstuffs), and only after that, as representatives of their interests. Employers still do not consider trade unions as equal partners in the negotiating process, or as organisations able to uphold somebody's interests," the report said.

To those who see unions as able to play a positive social and economic role, there is a desperate need for effective trade union leadership in Russia today.

Employers, they argue, are able to ride roughshod over the interests of their employees who have little prospect of redress through the courts. Workers remain unpaid for months, then see their salaries eroded by inflation. A recent World Bank study on Russia concluded that the "working poor" form the majority of the third of the population that lives below the official poverty line.

However, many economists argue that the weakness of the Russian trade union movement is good news for economic reform speeding its progress towards capitalism.

While Russians would appear to have more reason than most to protest, the strike rate in Russia is only a tenth of the average for the 25 industrial countries of the Organisation for Economic Co-operation and Development.

Union leaders argue that from a broader social perspective, such views are likely to prove counter-productive. They say many Russians are likely to suffer dreadfully as economic transition bites, threatening to discredit the whole reform process and bolstering the support for reactionary political parties. Trade unions could help soften the economic blows and defuse the political anger, they argue.

Mr Frank Hoffer, a German diplomat who takes a keen interest in Russian labour issues, says: "There is a need for trade unions if you want people to take an active part in supporting the economic reform process rather than just quietly suffering."

There have been some efforts to create effective movements to represent workers' interests, although mainly outside the official union structures. The independent coal miners' union, which was created in the last days of Soviet power and helped to dethrone President Mikhail Gorbachev, has been the most powerful union to have emerged.

But dockers, airline pilots and taxi drivers have also set up unions to give them greater collective bargaining powers.

It is a slow process but one that Mr Misnik says must be completed if social justice is to prevail in Russia. "It is right to progress towards a market economy but we have to pay attention to the social suffering that it causes. The consequences of neglect are unimaginable."

** New Russian Barometer, Centre for the Study of Public Policy, University of Strathclyde, Glasgow, G1 LXH, Scotland*

Workers unmited

Region	Union membership (% change 1993-95)
Moscow	-15.5
St Petersburg	-24.3
N Novgorod	-10.3
Vladimir	-17.6
Tula	- 6.3
Average	-15.1

Source: Centre for Labour Market Studies

Many unions in eastern Europe and the former Soviet Union increasingly fear for their independence, according to reports to the Brussels-based International Confederation of Free Trade Unions, writes Robert Taylor in London. "We believe trade unions are increasingly coming under attack from governments in the region", said Mr Luc Demaret, an ICFTU official yesterday.

The ICFTU, which represents organised labour across the world, is concerned some east European states have grown impatient with free unions which they see as threats to their attempt to create a more deregulated market economy. There are also signs that some of the old Communist union organisations which retain substantial assets in property are reasserting themselves in collaboration with friendly governments.

The most serious violation of union rights so far has taken place in Belarus where free unions were suppressed last month by presidential decree when they began a bus strike in the capital, Minsk. A complaint has been made by the ICFTU to the International Labour Organisation in Geneva over the suppression. The ICFTU has warned that if Belarus does not comply with recognised ILO standards it will press for an end to international aid to the country.

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EUROPEAN NEWS DIGEST

Belgacom chief angry over fee

Mr John Goossens, chief executive of Belgacom, the Belgian state telecoms company, yesterday hit back at European Commission demands that incumbent operators such as Belgacom should have to pay the same licence fee to run a mobile telephone service as newcomers operating second and third services.

Following the advice of the Commission, the Belgian government is to demand a BFr9bn ($300m) payment from Belgacom for running the country's first mobile service, the same fee it charged to the Mobistar consortium when it was awarded Belgium's second GSM licence last month. Mr Goossens said the demand was unfair. "If someone bidding for a licence puts BFr20bn on the table and then goes bankrupt in two years, we don't think we should have to follow suit," he said. He pointed out that the government asked for only BFr3.5bn originally. Belgacom has already paid BFr3bn and is reluctant to pay any more.

Mr Karel Van Miert, the Competition Commissioner, has criticised countries such as Belgium and Italy for demanding such fees, arguing that they stifle innovation and are a burden on the consumer. However, the fees are popular among cash-strapped governments eager for extra funds to help fund their budget deficits. *Emma Tucker, Brussels*

Brussels to adopt cable plan

The European Commission is tomorrow expected to adopt proposals that will force member states to liberalise cable television networks, allowing them to compete to carry all telecoms services other than basic voice telephony.

The proposals form part of a drive by the Commission to speed up competition within Europe's still highly protected telecoms sector. The Greek and Portuguese commissioners have reservations about the proposed legislation and are expected to ask for delays for their countries, but Commission officials do not believe their demands will scupper adoption by the rest of the Commission.

The proposed legislation – under a procedure which allows Brussels to force the issue without a vote from the member states – says the decision to open cable networks to competition must be enforced on January 1 1996, after which member states have nine months to prepare. *Emma Tucker*

Spanish toxic oil trial opens

Relatives of victims of Spain's toxic cooking oil scandal trying to enter a trial of ex-officials in Madrid yesterday

The Spanish state could face compensation claims of several billion dollars depending on the result of a fresh trial which started yesterday in the 1981 "toxic syndrome" scandal.

Some 1,000 deaths are blamed on consumption of rape seed oil which was meant for industrial use but was sold as cooking oil. A further 25,000 people are reckoned to have been affected. Victims' groups are pressing negligence charges against five officials of the former centrist government and two local councillors in an effort to obtain more compensation.

The new trial follows the conviction six years ago of 12 businessmen involved in the illegal cooking oil scheme. The Supreme Court subsequently increased the sentences of the main people accused. The government has paid more than Pta62bn ($500m) to victims and their families, but total claims could amount to Pta500bn. The public prosecutors' office has recommended a stay of proceedings. *David White, Madrid*

Iberia facing fresh challenge

Iberia, Spain's troubled state airline, faced a fresh challenge yesterday with the first competition from a private-sector Spanish carrier on scheduled international routes.

Air Europa, which two years ago began competing in regular domestic flights, said it planned to start scheduled services next month from Spain to London Gatwick and New York's Kennedy airport.

It will offer standard economy return flights to New York for Pta59,900 ($479), undercutting the current lowest scheduled fares by about 20 per cent. The new competition to the Iberia group comes just as Spanish negotiators are in the final stages of negotiations with the European Commission on a bail-out plan. *David White, Madrid*

Threat to Chechen peace pact

The fragile peace process in Chechnya was in jeopardy last night as Russia halted troop withdrawals from the Caucasian republic following a bomb attack on a senior Russian officer.

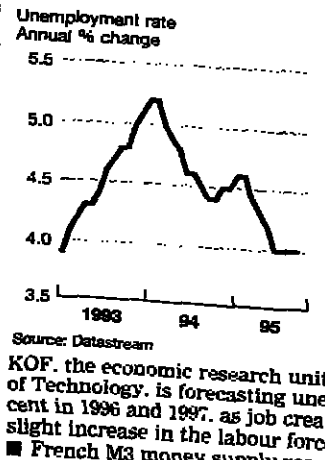
General Anatoly Romanov, one of the chief Russian architects of a military accord signed in July, is still critically ill in hospital following Friday's attack.

The increase in violence in Chechnya has led to calls in Moscow for the imposition of a state of emergency as groups of Chechen separatists continue to launch attacks against the Russian army.

The Organisation for Security and Co-operation in Europe, which is helping negotiate peace in Chechnya, yesterday met in Vienna to consider the situation. Under the deal, the Russians agreed to withdraw their troops when local fighters began surrendering their weapons. *John Thornhill, Moscow*

ECONOMIC WATCH

Swiss jobless fall levels off



Source: Datastream

Switzerland's unemployment rate was 4 per cent in September, unchanged from the August level, suggesting that the modest declining trend seen since the 5.1 per cent peak at the beginning of 1994 may have come to an end. The number of jobless fell slightly from 145,726 in August to 143,458 in September, and the number of job vacancies fell from 5,534 to 5,410. Employment growth has stagnated so far in 1995 as the strong Swiss franc has dampened activity in many sectors, especially those related to tourism.

KOF, the economic research unit of the Swiss Federal Institute of Technology, is forecasting unemployment will rise to 4.3 per cent in 1996 and 1997, as job creation will not keep pace with a slight increase in the labour force. *Ian Rodger, Zurich*

■ French M3 money supply rose 0.9 per cent in August, after the July figure was revised to 0.9 per cent from a provisional 1.0 per cent rise.

■ Greek industrial output rose 2.1 per cent year-on-year in July after increasing 1.2 per cent in June.

■ Ireland's seasonally adjusted trade surplus narrowed to I£581.5m (£598m) from I£596m in April.

Macedonians pass deal but fear for unity

By Laura Silber

The parliament of Macedonia yesterday *endorsed* a US-sponsored agreement which will open the way for Greece to lift an 18-month blockade of its northern neighbour.

But as this difficult dispute was on the verge of resolution, a power struggle was going on in Macedonia after last week's bomb attack which left President Kiro Gligorov close to death.

The agreement with Greece, which was ratified by the 120-seat *Sobranie*, as the country's parliament is known, was accepted last month by Mr Gligorov. It says Skopje harbours no territorial ambitions in regard to Greece and will adopt a new flag.

Now that parliament has formally ratified the treaty, Greece is obliged to lift its crippling embargo and allow freedom of movement between the two countries by October 13. Macedonian parliamentarians *last Thursday adopted* a new national banner, abandoning the 16-pointed star of Vergina, which Greece claimed as its own.

While the deal was set to enhance the stability of the region, it has been overshadowed by the assassination attempt against Mr Gligorov, who received severe head injuries when a car bomb exploded as he drove to his office in the centre of Skopje.

There is a concerted effort to make it appear that life is going on as usual in Macedonia.

Yet the deep fear is that a prolonged power struggle will be dangerous, not only for the stability of the tiny country, the only republic to secede from Serb-dominated Yugoslavia without war.

The impact would be much wider, as any of Macedonia's neighbours could intervene. In the heart of the Balkans, Macedonia borders on Serbia, Albania and Bulgaria, in addition to Greece.

Despite Mr Gligorov's effort to resolve feuds, problems remain with Skopje's neighbours.

Serbia so far has failed to recognise Macedonia. Tirana has objected to the status of the Albanian minority, which comprises nearly a quarter of Macedonia's 2m population.

While Mr Gligorov has worked to improve relations between the Macedonian Slavs and the Albanians, some local Albanian leaders insist on autonomy.

Bulgaria has recognised the state of Macedonia, but has *balked* at recognising the Macedonians as a separate nation.

> Political jostling is taking place behind the scenes out of deference for the president, who is recovering from his wounds

The absence of Mr Gligorov from the political scene is a serious setback for Macedonia. His allies are hoping that the 78-year-old president will quickly resume duties, if only for an hour each day, and remain a symbol of unity.

But if the constitutional court rules that Mr Gligorov is unable to return to work, fresh elections must be held within 40 days.

A likely contender would be Mr Stojan Andov, the speaker of parliament, who is the acting president.

A career technocrat, Mr Andov is bitterly disliked by Mr Gligorov's supporters. Observers say a final showdown could pit Mr Andov against Mr Vasil Tupurkovski, the charismatic Macedonian representative to the former Yugoslavia.

Out of deference to Mr Gligorov, the political jostling is taking place out of the public eye, but the battle's potential for damage is obvious to all.

Czech health minister sacked in costs crisis

By Vincent Boland in Prague

The Czech government yesterday dismissed its health minister to try to head off a growing healthcare crisis caused by losses at health insurance funds and a strike threat by doctors.

Mr Ludek Rubas was dismissed in the face of growing opposition by doctors angered by his refusal to discuss their claims for higher pay.

A healthcare crisis has been building for almost a year as a result of big losses incurred by many of the country's 25 health insurance funds, state-sponsored bodies set up to provide medical insurance for individuals. It has come to a head in recent weeks after a group of doctors threatened a one-day strike on November 1.

The strike threat was not immediately withdrawn yesterday after the minister's removal. Mr Rubas threatened last week to sack any doctors who stopped working.

Mr Jan Strasky, transport minister, has been appointed to replace Mr Rubas, with Mr Vladimir Budinsky, chairman of parliament's budget committee, joining the government to take over from Mr Strasky.

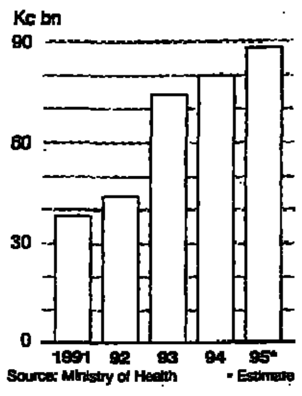
Mr Vaclav Klaus, the prime minister, described circumstances in the health service as "untenable" and said Mr Strasky would ensure greater co-operation with doctors in addressing its problems. The government has become alarmed at the way the crisis has mushroomed. Mr Klaus's coalition allies pushed strongly for Mr Rubas's removal in the past few days.

The government has been attempting without visible success to privatise parts of the health service since it assumed office in 1992. It wants a big reduction in the number of doctors and has tried to privatise hospitals by encouraging physicians to get together to buy them. This policy has been undermined by the profession's lack of capital, which is itself related to low salaries.

The losses at the nominally independent insurance funds are caused by a fee-for-service method of payment for treatment. Doctors are paid according to the number of patients they see and the amount of treatment they recommend, meaning that it is most profitable for doctors to see as many patients as they can.

The problem has been made worse by competition among the funds for customers. Each fund is financed by a basic contribution from individual members, with extra treatment subject to extra contributions. In their drive to expand membership, however, some funds have offered additional services at no extra cost. Total accumulated losses are estimated at Kc3bn ($114m).

Czech health spending



The current crisis masks considerable improvement in some aspects of healthcare since 1989. The health budget has risen from 5 per cent of gross domestic product then to 8 per cent now. Since the introduction of the fee-for-service system, however, the incidence of visits to doctors has soared among a population that, many observers note, has long considered frequent medical visits, as well as free healthcare, a right.

"The present system encourages the patient to misuse the health service and the doctor to prescribe unnecessary medicines, with each visit billed to the funds," said Dr Martin Potucek, director of the Institute of Sociological Studies at Charles University in Prague.

Czech prime minister Vaclav Klaus has taken action after describing circumstances in the health service as 'untenable'

The penchant for doctors to over-prescribe is a response to their low salaries of roughly Kc8,000 a month, which are on average no different to those of industrial workers. Observers familiar with the healthcare industry suggest there is a need for considerable rationalisation. There are twice as many doctors per capita as in Germany, and too many hospitals.

Mr John Seidler, director of the Czech activities of Pfizer, the US pharmaceutical group, said the fee-for-service system, which encourages doctors to see as many patients as they can, needed to be replaced and the emphasis switched to preventing sickness rather than curing it.

"What is needed is a system that encourages doctors to have healthy patients, not sick patients," he said.

Mr Strasky has been given a sensitive task by the government, which is facing a general election before next summer. He is likely to seek an early meeting with doctors to head off the strike and for a reduction in the number of insurance funds to create a smaller group of stronger institutions.

A study being undertaken this month is expected to draw up recommendations on the type of health system most suited to the Czech Republic, and is likely to involve a considerable degree of private insurance and healthcare.

Belgian MPs to decide on Claes

By Lionel Barber in Brussels

A special Belgian parliamentary panel yesterday began studying a recommendation from the country's highest court that Mr Willy Claes, Nato secretary general, should be stripped of his parliamentary immunity and indicted in the bribery scandal involving the Italian helicopter maker, Agusta.

Mr Claes, who has repeatedly stated he has done nothing wrong, faces charges of corruption, forgery and fraud. Belgian ministers and former ministers can only be prosecuted with the permission of parliament which must vote to lift immunity.

The parliamentary panel could give its verdict as early as this week. If MPs recommend lifting immunity, the pressure on Mr Claes to resign would be overwhelming.

Mr Claes has clung tenaciously to his Nato job despite being forced to change his story earlier this year. After first denying that he had ever heard of any bribe money being paid by Agusta, he later admitted that he had been told of a possible "gift" to his Flemish Socialist party. At the time of the contract, in the late 1980s, companies in Belgium could make financial contributions to parties deductible against tax. The Flemish Socialists accepted money from business but officially steered clear of military contractors.

Nato governments have so far insisted that the Agusta affair involving kickbacks for government contracts is a domestic matter; but the affair has already claimed four Belgian ministerial scalps and the threat of corruption charges against the head of Nato comes at a sensitive time as the alliance seeks to broker a peace settlement in Bosnia and lay the ground for enlargement to central Europe.

Potential candidates to succeed Mr Claes include Mr Uffe Ellemann-Jensen, former Danish foreign minister, and Mr Ruud Lubbers, former Dutch prime minister.

Kinnock warns of tough choices

By Caroline Southey in Brussels

Mr Neil Kinnock, EU Commissioner for transport, yesterday warned that limits might have to be imposed on the choices people and companies make if the EU's growing transport crisis is to be solved.

The Commissioner said congestion was costly in economic terms and was causing heavy pollution as well as energy consumption. In addition, he said, nearly 1,000 people were killed in road accidents in the EU every week – the equivalent of three jumbo airliners or one large passenger ferry going down every seven days.

Mr Kinnock, speaking in Copenhagen, said it was imperative "effective strategies to cope with gridlock" were worked out, since traffic volumes in the EU were likely to double in the next 20 years.

"It may be that the freedom and the choices of individuals and businesses will have to be further curtailed for the purpose of maintaining the wider liberties, health and well-being of the broader community," he said. This was not a "new conundrum" for democracies, he added, but one which "poses itself with increasing urgency".

Many of the necessary changes for decongestion "must obviously and rightly be taken at national and local level", he declared. The contribution from the EU was to identify common problems and publicise best practices.

The Commissioner argued that an effective programme of cutting congestion would have to include a "strategy for increasing the use of public transport, for making it more accessible to those who now rely heavily on their cars".

While people could be persuaded, or pulled, on to public transport systems by improving the services on buses, trains, trams and metro systems, it was necessary to have "push" policies aimed at deterring car traffic.

"If the clogging – the thrombosis – of urban transport systems is to be reduced or cured, the use of cars is going to have to be squeezed even while the alternatives to cars are expanded."

There was a growing feeling that more emphasis should be put on measures to make the price of road use reflect its full cost.

Road users still did not bear the full costs, he argued, while society as a whole met the bills for congestion, accidents, land use and environmental damage.

Mr Kinnock will publish a Commission Green Paper in the next few weeks, to be called "The Citizen's Network", setting out the problems and possible solutions for a more effective EU transport system.

Turkish port to gain from oil deal

By Steve LeVine in Baku and Bruce Clark in London

Western oil companies drilling for oil in the Caspian Sea confirmed yesterday that their initial output would be split between Russia and Georgia, and they predicted that southern Turkey would provide the main outlet in the longer term.

In a new position, leading members of the consortium said yesterday they agreed with the Turkish government's view that the Mediterranean port of Ceyhan would probably be the best outlet for the bulk of their Caspian production.

They also announced formally their decision to divide so-called "early oil" of about 80,000 barrels per day between a Russian pipeline running through the war zone of Chechnya and a Georgian route.

The decision was announced in Baku, capital of Azerbaijan which signed a $8bn contract last September with a consortium of mainly western oil companies to drill for oil in three Caspian fields. The eventual output is expected to reach 700,000 b/d.

A statement by the Azerbaijan International Operating Company (AIOC) said a contract to transport oil via Russia to the Black Sea port of Novorossisk would be concluded by November 1. "Other agreements are to be finalised simultaneously with the government of Georgia to transport oil west," it added.

The US and Turkey have been pressing for a Georgian option to supplement the Chechen pipeline route and avoid excessive dependence on Russia. Turkey has indicated its domestic market will absorb any early oil pumped through Georgia.

Oil industry experts in Baku said there were indications that most of the early oil from the Caspian, expected to reach 80,000 b/d by 1999, would run through Russia.

Despite the Chechen war, the Russian route is nearer completion, requiring about $50m-worth of repairs compared with just under $200m for the Georgian option. Financing details for the Georgian route, the subject of several proposals from Turkey, have yet to be settled.

Any disappointment among Turkish officials over the decision on the early oil route is likely to be outweighed if predictions of a main pipeline running to Ceyhan are borne out.

"As we see it now, Ceyhan will be the eventual exit point for the main pipeline," said Mr Terry Adams, AIOC president. Mr Adams, a nominee of British Petroleum, said Mr Greg Rich of Amoco, vice-president of the consortium, would lead a study to determine the best route from Azerbaijan to southern Turkey.

See Editorial Comment

Beijing restates stance on WTO

By Caroline Southey in Brussels

Ms Wu Yi, China's trade minister, yesterday restated China's view that it had fulfilled conditions for membership of the World Trade Organisation by meeting the requirements laid down for developing countries.

After two days of talks in Brussels with EU officials, Ms Wu said China was "willing to take on the obligations of developing countries" under the rules of the General Agreement on Tariffs and Trade. "As to when this means China would join the WTO, this rests on decisions by the contracting parties in the WTO rather than China," she said.

At a press conference with Sir Leon Brittan, the EU's chief trade negotiator, she said that while China would continue to open its door to the world, "the timetable for reform will be decided according to our own economic development".

Sir Leon said the EU and China had not yet reached agreement on how to proceed on the WTO issue. China had not accepted the EU position that it should draw up a firm timetable to meet WTO requirements in seven areas, he said.

An EU official said the two had discussed the seven areas, which included tariffs, services, trading rights and quotas.

The outcome of the Brussels meeting will do nothing to revitalise talks in Geneva on China's WTO entry. EU officials are likely to be disappointed by the outcome since Sir Leon had been keen to inject new energy into the process.

One official said the talks had "helped clear the air but did not lead to any progress".

The EU's approach, which has emphasised greater flexibility towards Beijing, differs substantially from the US, which has maintained that China should meet all the criteria necessary for accession at the time of entry.

The EU has argued that Beijing should be asked to commit itself to certain goals and should be given a transitional period to meet them.

The EU push on the WTO front comes amid signs of renewed tension over the US trade deficit with China.

Ms Wu said it was necessary to change the international method of compiling trade statistics as China had difficulty with trade figures relating to other countries.

She also announced that the EU had committed itself to 48 new projects in China worth $1.2bn, while formal business agreements had been signed.

Philippine car sales powered by recovery

One of the most visible signs of the Philippines' three-year economic recovery is the endless traffic jams choking Manila's highways. Rising disposable incomes and the emergence of a salaried middle class have led to an explosion of car sales over the last 18 months.

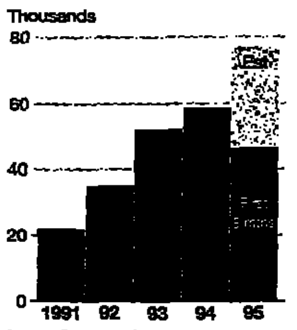
Since January the number of cars sold in the Philippines has risen by more than 20 per cent. Sales in the last eight months were 35 per cent higher than the equivalent period last year.

The Chamber of Automotive Manufacturers of the Philippines estimates that this year's sales target of 60,000 private cars will be comfortably exceeded. If growth continues at its current rate the number of private cars in the Philippines will have doubled between January 1995 and December 1996.

"The Philippines has reached the level of per capita income which Thailand had in 1986," said Mr Koji Miyajima, president of Honda Philippines. "At $1,000 per head nationally and $2,500 for Metro Manila, the Philippines is now at the stage of automotive take-off," he said.

Mr Miyajima, whose assembly plant in Laguna Technopark, 40km south of Manila, churns out 13,000 vehicles a year, said that the comparison with Thailand was apt.

Philippine car sales



Source: Chamber of Automotive Manufacturers of the Philippines

Since 1986 private car sales in Thailand – mostly Bangkok – have risen fivefold to 500,000 units. Honda projects that such sales in the Philippines, whose population of 67m is roughly the same size as that of Thailand, will reach the half-million mark by the turn of the century.

Like most of south-east Asia, the bulk of Philippine car sales are accounted for by the biggest Japanese vehicle manufacturers, most of which have assembly lines in the country. More than 80 per cent of cars sold in the Philippines are assembled locally by Toyota, Mitsubishi, Nissan, Honda and Mazda.

The remainder of the market is mostly imported Daewoo and Hyundai models from South Korea. Earlier this year Daewoo announced plans to set up an assembly line in Cebu, the Philippines' fastest growth area, which is expected to begin operations in the next 12 months.

Last month Honda, which has a 16 per cent share of the market, said it would increase its Philippine workforce from 500 to 860 and introduce 24-hour shifts to double its annual production to 24,000 vehicles. The company, which has so far invested 600m pesos (US$23m) in the Philippines, is also planning to introduce its new Civic model there.

The other manufacturers, most notably Toyota, are drawing up similar expansion plans. With 11,205 units sold so far this year, Toyota has a 24 per cent market share.

"The automotive industry in the Philippines is at an exciting stage," said Mr Ricardo Delatorre, senior vice-president of consumer financing at the Family Bank of the Philippine Islands. "It is also a period of growth for bank financing. So far this year we have drawn up around 25 per cent more car lending packages than last year."

With disposable incomes rising, the Philippines is poised for an 'automotive take-off' David Hayes

There were two reasons for this, Mr Delatorre said: the emerging middle classes, and a sharp fall this year in interest rates.

Industry analysts said that most of the expected demand over the next five years would be met by locally assembled cars which, under government regulations, must source a minimum of 40 per cent domestically.

Companies such as Proton, the Malaysian state car manufacturer, are planning to join the big Japanese producers assembling cars at a plant on Luzon, the country's main island. According to Mr Ernesto Tan, vice-president of Proton Philippines, the company will invest 2.2bn pesos on its 26 hectare Philippine plant, with an initial capacity of 40,000 vehicles a year.

"Our projections are very encouraging," Mr Tan said. "We hope to be producing about 70,000 vehicles a year within five years, some of which will be exported to Europe. The only constraint to further growth in the Philippine market is the country's appallingly outdated road infrastructure."

Edward Luce

Brazil set to end vehicle import quotas

By Jonathan Wheatley in São Paulo

Brazil is preparing to end quotas on vehicle imports following criticism at a meeting of the World Trade Organisation in Geneva. Delegates returning to Brazil yesterday said the government had "every intention" of complying with a recommendation by the WTO's balance of payments committee that the quota system be lifted.

Mr Frederico Alves, executive secretary at the trade ministry, said no official announcement would be made until after a meeting of Brazil's foreign trade committee. If the committee decided to end the quota system, the change would take effect from the end of October.

However, Mr Alves stressed that the quotas would make no difference to car imports this year. "The limit was set at a very high level," he said. "There is absolutely no chance of it being reached."

A limit of 150,000 units on car imports for the second half of 1995 was introduced in June this year after seven months of mounting trade deficits.

The government had previously raised import duties on cars and durable consumer goods to 70 per cent.

A combination of high duties and other measures to restrict consumer spending have since brought car imports to a virtual standstill.

According to WTO rules, imports and other quantitative trade restrictions can be justified only by balance of payments difficulties. Brazil's trade partners argued that, with foreign reserves of around US$47bn, this line of defence was unjustified.

Mr Alves said criticism was particularly strong from South Korea and from Japan, the European Union and the US.

He said some countries might take advantage of WTO rules that allowed claims for compensation against unjustified trade restrictions. However, he said payments were unlikely given that car imports to Brazil had been limited by domestic demand rather than by the quotas.

Although lifting the quotas will make no practical difference to imports this year, Mr Alves said the WTO recommendation might affect Brazil's vehicle industry policy in the future.

The government's proposals for the industry in 1996 include import quotas fixed as a percentage of domestic car production.

"The limit on auto imports has yet to be defined," Mr Alves said. "But, of course, we will reflect on what was said in Geneva when we prepare legislation."

WORLD TRADE NEWS DIGEST

Siemens turns to Asia-Pacific

Siemens, the German electronics company, yesterday announced it would pour more than $4bn of new investments into the Asia-Pacific region before the turn of the century, to take advantage of the increasing need for telecommunications and infrastructure.

The group predicts its sales in Asia will double to $15bn within four years and said most of the company's forecast growth would come from Asia.

"There is enormous demand for infrastructure goods in the region. By the year 2000 some 100m new telephone lines will be in use," said Mr Günter Wilhelm, vice-president of Siemens, in Manila yesterday.

The share of the group's sales in Asia-Pacific would double from 10 per cent to about 20 per cent, he added. Around 65 per cent of the group's sales came from Europe in 1994.

Among the growth areas the company highlighted yesterday are power generation, which is expected to double from the 1995 capacity of 750,000MW to 1.75mMW by 2000, telecommunications and transport. The company is also extending its digital GSM (global systems for mobile telecommunications) across the region. *Edward Luce, Manila*

BMW in Indian negotiations

India's Hero Motors is in talks with BMW of Germany to manufacture and market BMW cars for the Indian market. "We are at an advanced stage of negotiations with BMW, but it may be a month before we divulge any details," a senior representative of Hero Motors said yesterday.

BMW has an existing tie-up with the Munjal family's Hero group to produce 650cc motorcycles in India. The group's flagship, Hero Honda Motors, produces 100cc motorcycles under a technical agreement with Honda of Japan. BMW is expected to launch its 3-series models in India, to compete with the Mercedes Benz E220, to be launched there next week. *Shiraz Sidhva, New Delhi*

■ The Interinfra consortium led by Alcatel Alsthom has won a FFr1.9bn ($380m) contract to extend Cairo's second urban railway, including a section under the Nile. The 5.2km section will link the Sadat station in the city centre with Cairo university and will include four stations. Interinfra built the existing 10.2km section of the second line, scheduled to open in the last quarter of this year. *AFX, Cairo*

■ FLS Smidth-Fuller Engineering, the Danish-American group, has won three contracts for cement production lines. The total value of the contracts is DKr1.2bn ($218m). The Fuller Company, the American half of the Danish-owned group, is to supply two 7,800 tonne/day lines to Indonesian companies. The third contract is for the supply of machinery for a 7,500 tonne/day greenfield plant on the island of Kalimantan, Borneo, as a joint venture between Indocement of Indonesia, Kodeco of Korea, and the Japanese trading company Marubeni. *Hilary Barnes, Copenhagen*

■ Rhône-Poulenc Rorer has received approval from the Russian ministry of health to market three drugs in Russia. Azmacort for asthma, Nasacort for hay fever and Dilacor XR for hypertension and angina will be available in Russia by the end of year. *Reuter, New York*

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for October 15 1995 to November 14 1995 (September 15 1995 to October 14 1995 in brackets).

D-Mark	6.91	(6.99)
Ecu	7.44	(7.65)
French franc	7.77	(7.76)
Guilder		
up to 5 years	6.55	(6.70)
5 to 8.5 years	7.15	(7.20)
more than 8.5 years	8.00	(8.00)
Italian lira	10.75	(10.92)
Yen	2.80	(2.50)
Peseta	11.55	(11.78)
Sterling	8.52	(8.77)
Swiss franc	5.49	(5.59)
US dollar for credits		
up to 5 years	6.89	(7.10)
5 to 8.5 years	7.00	(7.24)
more than 8.5 years	7.13	(7.41)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days. SDR-based rates of interest are the same for all currencies. For the period from July 15 to August 31 1995, the SDR-based rate will be 5.60 per cent. The SDR rate was abolished on the August 31 1995.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

■ UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	13.5	8.3	6.49	7.67	3.43
1987	11.6	6.6	6.82	8.39	3.12
1988	4.2	5.2	7.65	8.84	3.61
1989	1.0	4.0	8.99	8.50	3.43
1990	3.6	5.3	8.06	8.55	3.60
1991	6.0	3.2	5.87	7.86	3.21
1992	12.4	2.1	3.75	7.00	2.95
1993	11.6	1.3	3.22	5.86	2.78
1994	6.2	1.9	4.67	7.08	2.86
4th qtr.1994	2.4	1.1	5.86	7.83	2.91
1st qtr.1995	1.0	1.0	6.18	7.47	2.86
2nd qtr.1995	0.1	1.7	6.03	6.60	2.68
3rd qtr.1995			5.79	6.32	2.53
October 1994	3.1	1.3	5.51	7.73	2.87
November	2.2	1.0	5.81	7.95	2.91
December	1.7	0.9	6.26	7.81	2.96
January 1995	1.5	1.1	6.23	7.77	2.92
February	0.9	1.0	6.16	7.46	2.85
March	0.6	0.9	6.15	7.20	2.81
April	0.6	1.1	6.12	7.05	2.74
May	–0.1	1.5	6.05	6.63	2.68
June	–0.3	2.6	5.94	6.16	2.61
July	–0.6	2.8	5.80	6.26	2.55
August	–0.6	3.5	5.82	6.50	2.55
September			5.74	6.19	2.48

■ JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	8.2	5.12	5.35	0.84
1987	10.5	11.5	4.15	4.64	0.55
1988	8.4	10.4	4.43	4.77	0.54
1989	4.1	10.6	5.31	5.16	0.48
1990	2.6	8.5	7.62	6.90	0.65
1991	5.2	2.0	7.21	6.40	0.75
1992	4.5	–0.4	4.28	5.24	1.00
1993	3.0	1.4	2.83	4.18	0.87
1994	5.4	2.9	2.12	4.20	0.78
4th qtr.1994	5.5	2.9	2.23	4.60	0.78
1st qtr.1995	5.0	3.6	2.15	4.38	0.86
2nd qtr.1995	6.1	3.3	1.23	3.27	0.93
3rd qtr.1995			0.66	3.05	0.86
October 1994	6.0	2.4	2.21	4.63	0.76
November	5.5	2.7	2.24	4.63	0.79
December	4.9	2.9	2.24	4.53	0.79
January 1995	5.5	3.2	2.23	4.60	0.80
February	4.9	3.7	2.20	4.52	0.85
March	4.5	3.6	2.04	4.06	0.92
April	5.6	3.2	1.37	3.52	0.92
May	5.9	3.3	1.24	3.35	0.91
June	7.0	3.3	1.09	2.96	0.96
July	7.2	2.9	0.80	2.91	0.91
August	9.0	2.8	0.71	3.25	0.85
September			0.46	2.97	0.82

■ GERMANY

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	10.0	8.7	4.64	5.90	1.79
1987	9.0	7.3	4.03	6.14	2.21
1988	9.7	6.4	4.34	6.46	2.61
1989	6.3	5.7	7.12	6.90	2.22
1990	4.5	4.5	8.49	8.66	2.11
1991	5.1	5.6	9.25	8.42	2.38
1992	7.0	8.2	9.52	7.79	2.45
1993	9.4	7.9	7.28	6.47	2.11
1994	9.6	9.0	5.36	6.84	1.76
4th qtr.1994	6.7	5.9	5.28	7.51	1.83
1st qtr.1995	3.8	0.3	5.11	7.41	1.90
2nd qtr.1995	2.8	–1.1	4.60	6.87	2.09
3rd qtr.1995			4.41	6.68	1.98
October 1994	8.6	7.3	5.22	7.57	1.84
November	8.3	6.2	5.21	7.50	1.82
December	5.1	4.1	5.40	7.45	1.83
January 1995	3.9	1.4	5.16	7.58	1.85
February	4.3	0.1	5.10	7.40	1.83
March	3.3	–0.5	5.07	7.25	2.00
April	2.5	–1.2	4.88	7.07	2.12
May	3.7	–1.3	4.59	6.85	2.10
June	2.3	–0.7	4.53	6.70	2.06
July	2.9	–1.2	4.56	6.79	2.01
August	3.4		4.46	6.71	1.97
September			4.19	6.56	1.96

■ FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	6.4	7.79	8.36	2.65
1987	4.1	11.5	8.63	9.46	2.75
1988	3.9	8.3	7.94	9.06	3.69
1989	7.5	10.0	9.40	8.79	2.88
1990	3.8	9.3	10.32	9.92	3.19
1991	–4.9	2.4	9.62	9.03	3.58
1992	–0.2	5.4	10.36	8.57	3.55
1993	1.8	–3.0	8.55	6.75	3.21
1994	2.9	1.9	5.84	7.21	2.99
4th qtr.1994	2.9	1.9	5.74	8.10	3.10
1st qtr.1995	–0.3	2.9	6.65	8.07	3.22
2nd qtr.1995	1.9	4.5	7.47	7.59	3.10
3rd qtr.1995			6.12	7.35	3.11
October 1994	3.1	0.1	5.65	8.17	3.17
November	3.1	0.7	5.61	8.13	3.08
December	2.9	1.9	5.97	8.01	3.08
January 1995	0.7	2.6	5.92	8.19	3.20
February	0.8	3.4	5.83	7.99	3.21
March	–0.3	2.9	8.07	8.01	3.26
April	–0.1	3.2	7.76	7.80	3.11
May	1.8	4.0	7.48	7.54	3.05
June	1.9	4.5	7.18	7.45	3.14
July	0.7	4.3	6.44	7.42	3.09
August			5.96	7.30	3.08
September			5.98	7.34	3.19

■ ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	10.5	8.4	13.25	11.47	1.41
1987	10.4	9.6	11.32	10.58	1.94
1988	7.8	8.5	11.24	10.54	2.71
1989	7.1	9.3	12.42	11.61	2.46
1990	9.3	10.1	11.98	11.87	2.84
1991	7.3	8.5	11.83	13.20	3.45
1992	6.7	7.7	13.86	13.29	3.63
1993	4.6	7.4	10.22	11.23	2.35
1994	6.6	5.1	8.48	10.56	1.67
4th qtr.1994	3.6	1.9	8.83	12.12	1.75
1st qtr.1995	1.3	0.1	9.70	12.79	1.70
2nd qtr.1995	–0.8	–0.7	10.69	12.71	1.76
3rd qtr.1995			10.52	11.74	1.64
October 1994	4.0	2.2	8.77	12.10	1.71
November	3.6	1.8	8.68	12.05	1.74
December	3.2	1.7	9.03	12.22	1.79
January 1995	0.9	0.0	9.05	12.40	1.68
February	2.0	0.2	8.98	12.41	1.64
March	1.0	–0.1	10.96	13.48	1.79
April	–0.8	–0.9	10.84	13.44	1.72
May	–0.3	–0.5	10.41	12.37	1.68
June	–1.4	–0.6	10.85	12.24	1.86
July	–1.1	–0.5	10.88	12.23	1.75
August	–0.6	0.3	10.44	11.61	1.58
September			10.26	11.40	1.61

■ UNITED KINGDOM

	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	4.0	15.4	11.02	10.21	4.35
1987	4.7	15.2	9.77	9.69	3.60
1988	6.8	17.3	10.41	9.62	4.48
1989	5.9	17.6	13.96	10.11	4.36
1990	5.3	16.1	14.82	11.56	5.07
1991	2.4	7.9	11.58	10.08	4.97
1992	2.4	5.1	9.73	9.09	4.91
1993	4.8	3.5	5.99	7.40	4.01
1994	6.4	5.0	5.57	8.01	3.94
4th qtr.1994	7.1	4.4	6.19	8.60	4.16
1st qtr.1995	6.6	4.9	6.73	8.60	4.28
2nd qtr.1995	6.0	6.3	6.76	8.19	4.21
3rd qtr.1995	5.7		6.87	8.09	4.06
October 1994	7.4	4.1	5.98	8.70	4.14
November	7.2	4.5	6.13	8.58	4.12
December	6.8	4.6	6.46	8.53	4.23
January 1995	6.6	4.5	6.64	8.66	4.22
February	6.2	4.7	6.80	8.60	4.24
March	7.0	5.5	6.74	8.54	4.36
April	6.3	5.6	6.76	8.38	4.27
May	5.9	6.5	6.79	8.13	4.19
June	5.7	6.9	6.73	8.09	4.17
July	5.7	8.1	6.89	8.23	4.11
August	6.1	8.5	6.88	8.10	4.07
September	5.4		6.82	7.92	4.06

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. **Interest rates:** short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. **Equity market yield:** period averages of the gross dividend yield on the relevant FT-A world index.

Ministers plead case for loans to poorest countries by World Bank arm

US pressed on funding for IDA

By George Graham in Washington

Finance ministers from industrialised and developing countries lined up in Washington yesterday to try to persuade the US not to back out of its contributions to the International Development Association, the World Bank arm which lends at nominal interest rates to the poorest countries.

"We must each shoulder a fair share of the burden. I hope the United States and the other major countries will recognise the need to show leadership and responsibility as they have in the past," said Mr Kenneth Clarke, the British Chancellor of the Exchequer.

"All countries should meet their current IDA obligations in a timely fashion," added Mr Paul Martin, finance minister of Canada, at yesterday's meeting of the development committee, the World Bank's policy-setting body.

Speaking to the first meeting of the committee since he took over as World Bank president in June, Mr James Wolfensohn avoided any direct reference to his largest shareholder, the US, which has not only fallen into arrears on the money it promised to the current tenth replenishment but also appears likely to slash its contribution to IDA-11, now being negotiated.

But he left no doubt he believed IDA's future was jeopardised by the threatened shortage of funds.

"This is a very dangerous moment for IDA – and for multilateralism," he warned in a note circulated to ministers before the committee meeting.

"There is no issue of greater importance to the bank at this time than ensuring adequate funding for IDA in the medium term and preserving its multilateral, burden-sharing character in the long term," he said.

The bank believes it will need a total of SDR15.3bn ($22.8bn) for IDA-11, with SDR6.3bn expected to come from the bank's own resources.

But IDA's traditional burden-sharing formula would require the US to come up with about $2.75bn, a figure few regard as achievable in the current US budget climate.

Mr Robert Rubin, US treasury secretary, said he was committed to finding the money the US pledged to IDA-10, but noted that despite its arrears, it had still contributed $2.2bn.

"Our goal is to make every effort to continue the basic, historic commitment of the United States to IDA, while taking into account, in a realistic, pragmatic manner, the domestic budgetary and political atmosphere which now exists," Mr Rubin said.

Although mechanisms have been found in the past for preserving the principle of burden-sharing despite reduced US contributions, other donors are reluctant to repeat the experiment.

"Any deviation from a fair burden-sharing should be highly exceptional and temporary," said Mr Philippe Maystadt, the Belgian finance minister.

Kenneth Clarke: 'Shoulder a fair share of the burden'

IMF aims to stop ministerial meddling with data

By Robert Chote, Economics Editor, in Washington

The International Monetary Fund has promised to tackle political interference with official statistics. According to a background paper prepared by the IMF board, standards will be set that "reflect elements such as internal embargo procedures before data are officially released".

The Fund wants to make it more difficult for ministers to meddle with unflattering data before they are released.

"Executive directors noted that data provision was adequate for the majority of the membership while expressing strong concern about the deficiencies that still existed for many members," says the paper. Ideally the Fund would like statistical agencies to be formally independent of the governments which pay for them, although it may be reluctant to press the point for fear of undermining political support for its initiative.

"Confidence in the statistics ultimately becomes a matter of confidence in the objectivity and professionalism of the agency producing the statistics," the board argued. The Fund hopes better statistics will help prevent unexpected financial crises.

The standards demand that all member countries provide the Fund on a timely basis with 12 core statistics.

Countries which are reluctant to provide the data that the Fund wants will first have to deal with IMF staff and then the executive director who represents them.

Ultimately, the country will be reported to the IMF board and may be refused financial help until it complies.

The Fund also wants to use non-official data when scrutinising economic policies but has agreed it must obtain a country's permission to do so.

The Fund has no authority to tell countries how to make data public to the markets, but is setting a standard recommending all countries publish a set of 17 statistics.

As it will take time for all countries to produce these data on a regular basis, the Fund has agreed not to identify publicly those countries meeting the standard and those which miss it.

Countries seeking access to international capital markets will face a tougher standard and those meeting it will be identified publicly.

"The more demanding norms would be formulated, taking into account data needed to support analyses and decisions in the financial markets," the board said. The higher standard will also demand extra data with relevance to capital flows, probably including the maturity and currency composition of external debt.

The Fund will establish an electronic bulletin board on which countries meeting the tougher standard will advertise the availability of data and calendars for their release. "Members that ceased to observe the standard to which they had subscribed would not remain on the bulletin board," the board said.

The board added it wanted to recover the costs of this exercise, as well as the costs of giving technical assistance to countries trying to meet the data standards.

The policy-making interim committee meeting, which finally broke up on Sunday evening, also agreed the board should aim to complete by April proposals for an expansion of Fund quotas – the subscriptions which in effect determine their shareholdings in the Fund.

The Fund management would like to double quotas, but Mr Philippe Maystadt, interim committee chairman, believes most members would support only a 60-70 per cent increase. This would boost IMF capital by up to $150bn, although members would not have to pay up until money was needed.

Even if proposals for a quota increase are finalised by the board next year, they will have to be approved by member-countries' national parliaments. This would take at least two or three years.

Meanwhile, the interim committee has backed a proposal by the Group of Ten leading industrial countries to double the existing "general arrangements to borrow".

These allow the Fund to borrow up to $26bn to cope with financial crises such as Mexico's when its own resources are insufficient.

The G10 proposes a parallel arrangement involving the existing G10 members and up to 15 or 16 other countries.

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List of the core data all countries should publish

- Exchange rates
- International reserves
- Central bank balance sheet
- Reserve money
- Broad money
- Interest rates
- Consumer prices
- External trade
- Current account balance
- External debt/debt service
- Budget deficit
- Gross domestic/national product
- Industrial production
- Unemployment
- Wages or earnings
- Producer or wholesale prices
- Domestic credit

Three win Nobel prize for research into embryo growth

A German and two US scientists have won the 1995 Nobel Prize for medicine for leading a research effort to answer one of the biggest questions in biology: what controls embryonic development? writes Clive Cookson, Science Editor.

Dr Christiane Nüsslein-Volhard, 52, of the Max-Plank Institute for Developmental Biology in Tübingen, Dr Eric Wieschaus, 48, of Princeton University, and Dr Edward Lewis, 77, of the California Institute of Technology, won the $1m award for their work on the process that starts with a sperm fertilising an egg and ends up with billions of specialised cells all growing in the right place from skin to stomach, brain to bones.

The three scientists did most of their research on the fruit fly Drosophila, a favourite subject for biological research as it is so much simpler than humans and other mammals. Although they have not worked on medical applications, most of the genes they studied in Drosophila have counterparts important to the development of the early human embryo.

Clinical scientists are now applying the findings to investigate the causes of congenital malformations and to understand why miscarriages occur so frequently in early pregnancy; only 30 per cent of fertilised eggs lead to live births.

Dr Lewis, who belongs to an earlier scientific generation than his fellow-Nobel laureates, started working on Drosophila development in the 1940s.

He became fascinated by a strain of fruit fly that occasionally mutated and grew an extra pair of wings. This resulted from the failure of one control gene, he later discovered.

Drs Wieschaus and Nüsslein-Volhard worked together at the European Molecular Biology Laboratory in Heidelberg during the 1970s, discovering a set of genes that determine the Drosophila development plan and the formation of body segments, organs and wings.

As the Stockholm Karolinska Institute said in its Nobel citation: "It was a brave decision by two young scientists at the beginning of their scientific careers... The chances of success were very uncertain."

Mideast ratings agency to open

By George Graham in Washington

The first credit rating agency in the Middle East is expected to open its doors for business in the first half of next year.

The agency is the fruit of an agreement signed at the weekend by IBCA, the European ratings agency, the International Finance Corporation, the private sector offshoot of the World Bank, and the Arab Monetary Fund, a regional equivalent of the International Monetary Fund.

"This is expected to have a major impact on the development of local bond markets in the region," said Mr Jannik Lindbaek, executive vice-president of IFC.

IBCA will rate the sovereign debt of Arab countries, while the new joint venture will set up local subsidiaries to rate individual borrowers.

Mr Jassim al-Mannai, director general of the Bahrain-based Arab Monetary Fund, said the creation of a ratings agency would help to improve the quality of financial reporting and transparency in the Middle East.

Tunisia is the only Arab country to have its sovereign debt rated, although Moody's, the US agency, is expected to publish a rating for Jordan by the end of the month.

Financial officials said that, like the IMF's new requirements for governments to publish their economic data, the creation of the Inter-Arab Rating Company would help to deepen capital markets by encouraging transparency.

Mr Robin Monro-Davies, who runs IBCA, said the arrival of ratings could provide "quite a sharp shock to a financial system". He cautioned that the impact of the new agency on the development of regional capital markets would depend on the willingness of the financial authorities in each country to open up their markets.

"We as a ratings agency do not create the market but coexist with the creation of the market," he said.

ASIA-PACIFIC NEWS DIGEST

Malaysia public salaries up 20%

Dr Mahathir Mohamad, Malaysia's prime minister, (*pictured left*) has said increased salaries the government has agreed to give civil servants will cost an additional M$2bn ($800m) a year. The salary increase is the first in five years. Dr Mahathir said it represented a 20 per cent rise in wages. Civil servants said they wanted a steeper increase but Dr Mahathir described the offer as final. Private sector pay rises in Malaysia's fast-expanding economy have been running at 10-15 per cent a year, prompting concern that Malaysia may lose its competitiveness. Worries also exist about a current account deficit forecast to reach nearly 10 per cent of GNP this year. *Kieran Cooke, Kuala Lumpur*

Taiwan to raise defence spending

Taiwan has decided to raise its defence spending by 20 per cent in fiscal 1996-97 (July-June), mainly to buy more military hardware, the mass circulation China Times newspaper reported yesterday. The increase was designed to cope with recent tensions across the Taiwan Strait and the island's current military needs, the paper quoted "authoritative" military sources as saying. Defence spending, excluding personnel expenses, will be raised by T$40bn (US$1.5bn) in the next fiscal year, it said. The entire defence budget was likely to hit a record T$300bn, representing a 20 per cent increase over 1995-96, it added. The increased budget would be used to buy more US-made M60 A3 tanks, naval frigates, and transport aircraft, the military sources said. *Reuter, Taipei*

Thai cabinet reshuffle ruled out

Mr Banharn Silpa-archa, Thailand's prime minister, yesterday ruled out a widely speculated cabinet reshuffle and attacked critics of his three-month-old administration who allege it is incompetent. Mr Banharn's seven-party coalition government has been rocked by internal strife within his core Chart Thai party and questions over the credibility of some cabinet members. It has also been the centre of media, academic and opposition criticism from mid-July when it assumed power."I am puzzled by the wide criticism of my coalition although we have done a lot in past months and taken up many of the projects that were left behind by the previous government," Mr Banharn told reporters. "Give us some more time.

■ Mr Kukrit Pramoj, 84, the grand old man of Thai politics, and prime minister in 1975-76, died in hospital yesterday. He had been in critical condition for several weeks suffering from various ailments. *Reuter, Bangkok*

Karachi government building hit

Hundreds of government workers fled from the Sindh Secretariat Office in Karachi yesterday, after militants fired up to seven rockets, injuring five people. The building, which provides offices to several provincial ministers, was badly damaged. The casualties are all out of danger, police said. News of the rocket attack knocked 19 points, or more than 1 per cent, off the Karachi Stock Exchange 100-share index. *Farhan Bokhari and Reuter, London*

Tazawa denies making secret deal with opposition MPs

Japan's government shaken as justice minister resigns

By Gerard Baker in Tokyo

Japan's shaky coalition government suffered a new setback yesterday with the resignation of Mr Tomoharu Tazawa, the justice minister, following revelations about a secret deal he is alleged to have made with members of the parliamentary opposition.

Mr Tomiichi Murayama, the prime minister, accepted Mr Tazawa's resignation and appointed Mr Hiroshi Miyazawa as his successor. Mr Miyazawa, 74, is a senior figure in the coalition member Liberal Democratic party and the brother of the former prime minister, Mr Kiichi Miyazawa.

Mr Tazawa, who was appointed to the justice ministry only two months ago, continued yesterday to deny the reports of the secret agreement, but said his departure would be in the best interests of the coalition.

On Friday, several newspapers reported that the minister had persuaded the main opposition group in the upper house of the Japanese parliament not to ask embarrassing questions about a loan he had received from a Buddhist organisation. In return for the opposition's parliamentary silence, the reports said, Mr Tazawa promised to oppose his own government's attempts to tighten controls over religious organisations.

Mr Tazawa told a news conference: "Swearing by my conscience, I have never done such a secret deal." But he had decided to resign, he said, in light of the government's need to pass the current year's budget through the upper house, a tortuous political process that would have been further complicated by the row.

Mr Tazawa is said to have received the Y200m ($1.99m) loan from Rissho Koseikai, a lay Buddhist organisation that supports him in elections.

The opposition New Frontier and Clean Government parties, whose officials are said to have been the counterparties to Mr Tazawa's proposal, both also denied any deal yesterday.

But both parties are firmly opposed to the coalition's proposed tightening of controls over religious organisations. The measures, prompted by the terrorist attack allegedly committed by members of the Aum Supreme Truth religious group earlier this year, will restrict fund-raising from all religious organisations, including more conventional groups. Both main opposition parties rely on contributions from such groups.

Mr Koken Nosaka, chief cabinet secretary, and Mr Ryutaroi Hashimoto, international trade and industry minister, and chairman of the LDP, both attempted yesterday to play down the significance of the resignation, saying they accepted Mr Tazawa's protestations of innocence. "Both the New Frontier party and Mr Tazawa say they have made no such deal. We therefore believe there was no such deal," said Mr Nosaka.

But the resignation threatens to intensify divisions within the already unstable coalition of socialists, Liberal Democrats and the New Harbinger party, especially as it struggles to garner support for the proposed legislation.

The revelation that at least one cabinet minister was financially connected to a religious group will intensify efforts of the opposition to get the plan modified or dropped.

Such an outcome would anger many in the coalition, however, who see the proposed changes as right in principle and an important political opportunity.

Tomoharu Tazawa: resigned yesterday to ease passage of budget

Seoul curbs growth in investment abroad

By John Burton in Seoul

The Seoul government yesterday announced measures to curb surging overseas investments by South Korean companies because of worries they are accumulating too much foreign debt in their expansion abroad.

But corporate executives privately criticised the policy as a betrayal of government promises to deregulate the economy and promote globalisation of South Korean industry.

Seoul's Ministry of Finance and Economy said South Korean companies must use their domestic capital to finance at least 20 per cent of foreign investments worth $100m or more, or 10 per cent below that amount.

The new policy reverses a 1992 decision allowing South Korean companies to rely completely on foreign loans to finance overseas investments.

Yesterday's measures are meant to discourage foreign investments by making them more expensive since South Korean interest rates are 5-6 percentage points higher than in overseas markets.

In addition, limits will be placed on the amount of loan guarantees given by a parent company to secure foreign borrowings by an overseas subsidiary.

The financial restrictions could jeopardise several big investment projects, including the construction of a $1bn semiconductor plant by Samsung Electronics in the US.

Analysts believe the threat of the new financial requirements may have caused Samsung to cancel last week's planned announcement that it was establishing the plant in Austin, Texas.

The measures will officially take effect today, but Samsung has already been subject to them. It was forced to finance directly 20 per cent of its purchase of a stake in AST Research, the US personal computer maker, to gain government approval for the $375m deal earlier this year.

Other investments that could be affected range from Daewoo's proposed takeover of the Polish carmaker F S Osobowych to Hyundai Electronics' planned construction of a $1.3bn semiconductor plant in Oregon.

Direct foreign investments by South Korean companies grew by 97 per cent to $3.7bn last year, while another $2.47bn was reported for the first eight months of this year.

Borrowings abroad to finance the investments have been climbing, with net foreign debt having risen from $10bn to $14bn during the first quarter of 1995.

South Korean companies have been expanding abroad to avoid possible trade barriers and escape high wages among domestic workers, with the low-cost south-east Asian region attracting the most investment.

Government officials have already begun to express worries about the "hollowing-out" of the industrial base, though Korea's overseas production represents only 4 per cent of gross domestic product against 12 per cent in the case of Japan and 23 per cent for the US.

Officials have also cited "reckless" competition among the main industrial groups to establish facilities abroad as another reason curbs should be imposed.

Marshal to be North Korean defence minister

North Korea yesterday named the army's chief of the general staff as its new defence minister in what is seen as a strengthening of ties between the country's de facto leader, Mr Kim Jong-il, and the military, John Burton reports from Seoul. Analysts in Seoul have suggested that the conservative military leadership is opposing Mr Kim's succession to his late father, President Kim Il-sung.

The appointment of Vice Marshal Choe Kwang, and his promotion to marshal, had been expected since he was next in line to succeed the previous defence minister, Marshal O Jin-u, who died in February from cancer.

The 77-year-old Marshal Choe represents the country's first-generation revolutionary old guard. He was a member of the anti-Japanese guerrilla force led by Mr Kim Il-sung.

Analysts said Marshal Choe's appointment may be a prelude to the naming of Mr Kim to the country's highest military rank of generalissimo today, the 50th anniversary of the establishment of ruling Korean Workers' party. Taking the title of generalissimo would indicate Mr Kim's firm control over the military and is regarded as a preliminary to his formal assumption of power as national president and head of the ruling party.

Machine orders fall in Japan

By Michiyo Nakamoto in Tokyo

Private machinery orders in Japan fell in August for the second month running, the Economic Planning Agency said yesterday. Private-sector machinery orders, excluding those in the shipbuilding and electric power industries, dropped 3.9 per cent month-on-month because of a 8.3 per cent fall in demand from the manufacturing sector.

The fall follows a 6.3 per cent decline in July. It is more or less in line with the EPA projection for key machinery orders to drop 10.9 per cent July-September because of business confidence hit by the higher yen, falling share prices and slowdown in the US economy in the previous quarter.

The actual figure for machinery orders is likely to be better than this because of a weaker yen and the government's Y14,000bn (£88bn) economic stimulus package, the EPA predicted.

Compared with machinery orders in the same month a year ago, August showed 2.4 per cent growth. If government orders and orders from abroad are included, the August total was 5.9 per cent up from the previous month, and 5.5 per cent up from a year ago.

● Reuter adds from Washington: South-east Asian finance ministers urged Japan on Sunday to drop its call for excluding farm products from a trade liberalisation plan to be adopted by the Asia-Pacific Economic Co-operation (Apec) forum, a Japanese official said.

The request came during a meeting between Mr Masayoshi Takemura, Japan's finance minister, and counterparts from some countries of the Association of South-east Asian Nations (Asean).

The official said the Asean side proposed Japan agree on "farm co-operation" in formulating an agenda on trade and investment liberalisation for an Apec meeting in Osaka in November. Mr Takemura told them agriculture was a sensitive area for Japan, and declined to offer an specific response, the official said.

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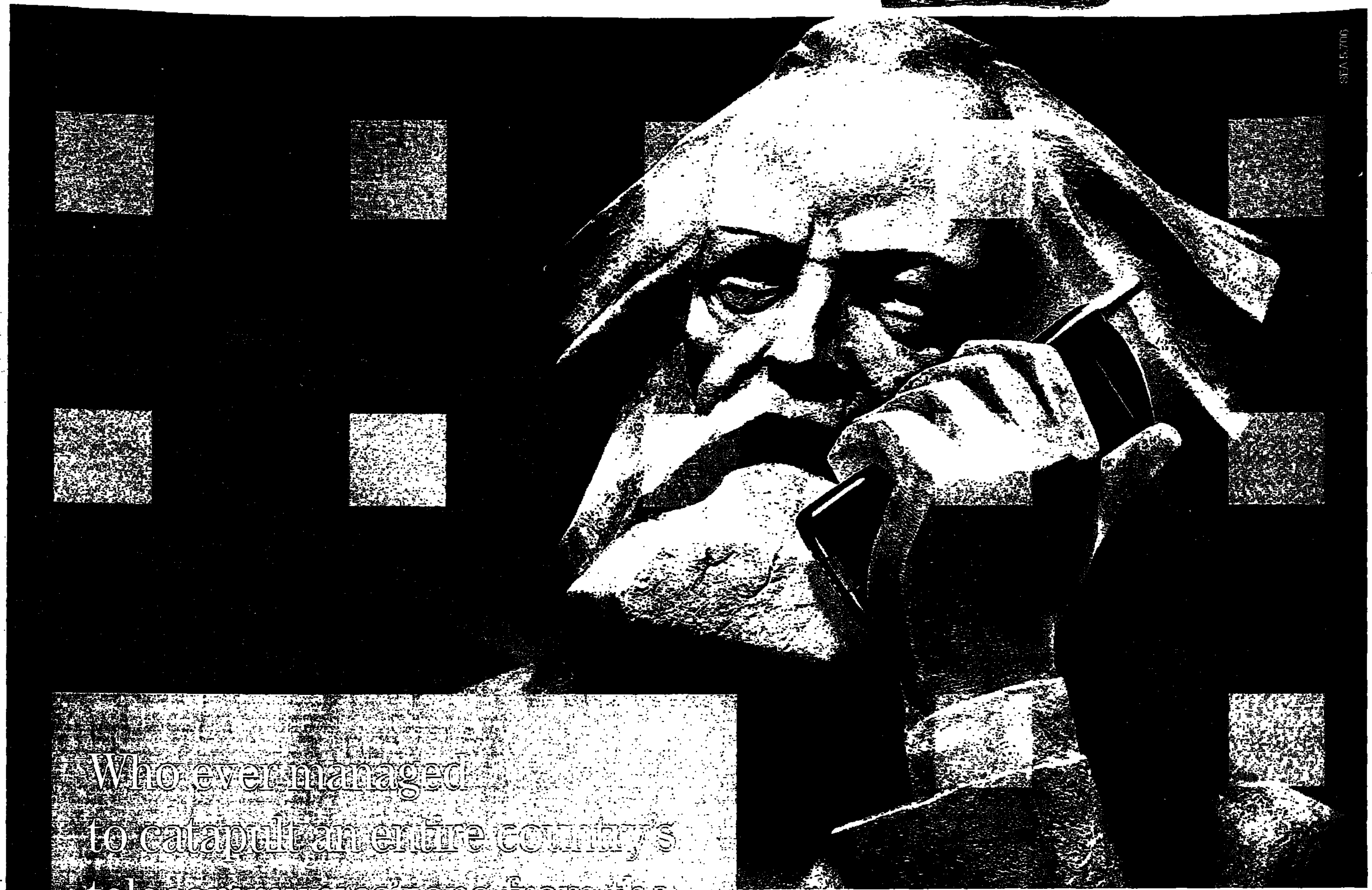

Who ever managed to catapult an entire country's telecommunications from the Stone Age into the future?

The ultimate test of a company's performance and ingenuity is when it faces seemingly insurmountable tasks. *Unquestionably,* the toughest assignment in the history of telecommunications has fallen to Deutsche Telekom. In the new German federal states, we have set up what must today be the world's most high-performance telecommunications infrastructure in record time.

By 1997, Germany's new federal states will have the most advanced telecommunications infrastructure in the world. Who would have believed it back in 1990?

With the Wall gone, we still had another *to scale.*

It was a daunting, almost depressing prospect. The telephone system was still largely a relic of the twenties. Only one in ten homes was connected. Public telephones were a rare sight, fax machines in even shorter supply and mobile phones non-existent. Companies had virtually no means of data communication whatsoever. This desolate landscape cast a shadow over hopes of any rapid transformation to a market economy, let alone short-term economic upswing, for the former East Germany. This was a "national emergency".

The leap into the age of high-tech.

Engineering a state-of-the-art infrastructure out of nothing was a pretty unique undertaking in the world of telecommunications. But we did it. We built a network of super-speed highways, complete with new digital switching systems and no fewer than 5,3 million new connections to date. That's more than during the period between 1871 – the year the first telephone rang in Germany – and the collapse of the Berlin Wall. The basic blanket infrastructure for data lines, ISDN, mobile communications, radio and television is now almost complete. As the world's *leader in the field of fiber* optics, we'll be linking up 1.2 million homes in Eastern Germany this year with the latest in advanced communications technology.

In fact, we did the job so well that many other countries, notably those in the former Eastern Bloc, are looking to harness the vast experience, organizational skill and technological power of Deutsche Telekom in setting up their own networks.

Deutsche Telekom now a stock corporation.

At the beginning of this year, Deutsche Telekom made the move from public to stock corporation. This not only allows us greater freedom to keep pace with the rapid developments in the market but also to forge ahead with technological innovation even faster and more effectively for our customers. Today, Germany boasts the world's most advanced fiber-optics network and the highest number of ISDN connections – proof enough of our success.

You can share in our success.

Get to know our products and services tailored to meet your special needs and you'll get to feel the cutting-edge of tomorrow's technology. *Come join the fast lane to the future.*

Our connections move the world.

Deutsche Telekom T

NEWS: THE AMERICAS

Zedillo goes to US on pilgrimage of thanks

President Ernesto Zedillo begins a state visit to the US today armed with the most expensive entry visa ever paid by a Mexican leader.

His decision last Thursday to repay, ahead of schedule, $700m of the $12.5bn Mexico has borrowed from the US this year was timed to silence critics of the rescue package which President Bill Clinton brokered for Mexico in February.

The early repayment was welcomed by the White House, and will help smooth Mr Zedillo's meetings with congressional leaders. He is expected to reassure his hosts that Mexico will not borrow more US funds this year.

Mr Zedillo's trip is more a pilgrimage of thanks than a state visit. He owes Mexico's narrow reprieve from default, and perhaps his presidency, to Mr Clinton's ability to marshal $50bn of international aid following the mishandled devaluation of the peso in December. Mr Clinton pledged $20bn of the total package after the US Congress refused to back a plan to give Mexico $40bn in loan guarantees.

Given the strong opposition of US legislators to the international rescue package, Mr Zedillo will not address Congress on this trip.

The US aid was also unpopular in Mexico. Opinion polls showed more than 60 per cent of Mexicans rejected Mr Clinton's assistance, believing it would jeopardise Mexican sovereignty by giving the US government de facto property rights over Mexican oil, offered as collateral for the loans.

Many Mexicans also believe their country's economic policies, in the wake of December's financial crisis, are being decided in Washington rather than Mexico City, and they resent an austerity programme designed to restore the confidence of foreign investors at the cost of a recession and one million job losses.

In Washington and Wall Street, however, there is unequivocal praise for Mexico's unflinching application of an orthodox economic shock programme. The message Mr Zedillo will take to investors and fund managers when he visits New York is that Mexico's harsh adjustment to devaluation and capital flight has laid more solid foundations for future growth.

There will be little consolation for US exporters, who have seen a $1.3bn trade surplus with Mexico last year turn into a $8.6bn deficit in the first six months of 1995, according to the US Commerce Department.

Although Mexico is America's biggest trading partner after Canada, with two-way trade worth more than $100bn a year, the fall of US exports to Mexico has strengthened opposition to the North American Free Trade Agreement. Both the US and Mexican governments see the contraction in trade as a temporary casualty of the Mexican recession.

Two other issues which usually cloud US-Mexican relations – illegal immigration and drug trafficking – will receive less attention on this visit. Mexico's foreign ministry says it is pleased with the willingness of US authorities to develop a common approach to illegal immigration.

US drug enforcement officials, for their part, say they are favourably impressed by Mexico's new attorney-general, Mr Antonio Lozano, and his efforts to fight corruption within Mexico's anti-narcotics squads.

Leslie Crawford

President Bill Clinton is under pressure to raise an alleged Mexican violation of the North American Free Trade Agreement, during President Ernesto Zedillo's state visit to the US, Nancy Dunne reports from Washington.

In a dispute that has dragged on since implementation of Nafta on January 1, 1994, US express delivery companies have been forced to use small, inefficient vehicles, while their Mexican counterparts can use large trucks.

United Parcel Service, which has taken the lead on the issue, argues it has been denied "national treatment" – under which US express delivery companies are supposed to operate under the same rules as Mexican companies. UPS has invested $140m in its Mexican operations since it set up there in 1991.

Last April, the US lost patience with repeated promises that its companies would soon be granted licences for large trucks. Mr Mickey Kantor, US Trade Representative, filed a complaint under the Nafta dispute settlement mechanism.

Mr Newt Gingrich, House Speaker, last week wrote to Mr Kantor urging that Mr Clinton raise the issue.

Powell drifts from independent line

Crowd puller: Colin Powell leaves a London bookshop *Ashley Ashwood*

General Colin Powell, in London yesterday to promote his autobiography, hinted that if he ran for the US presidency next year he would stand as a Republican rather than an independent, our foreign staff write. Running as an independent "has enormous obstacles in front of it," he said.

Recent polls showed he would beat President Bill Clinton by 9 percentage points in a presidential election if he were to stand as a Republican candidate.

Manning's decision is a year early, writes **Canute James**

Trinidadian surprise

Mr Patrick Manning, Trinidad and Tobago's prime minister, has surprised even some of his colleagues by calling a general election for early November, a year before it is constitutionally due. Mr Manning was faced with a reduced majority in parliament caused by the deaths and resignations of government members.

Although it won 21 of the 36 seats in the December 1991 election, the incumbent People's National Movement has found itself with 17 seats and no indication of its support in the splintered opposition.

"The current configuration of parliament reduces the government's flexibility in conducting the nation's business to unacceptable levels," Mr Manning said in announcing the election for November 6.

Recent public opinion polls have suggested that the PNM will be returned, but not without a strong challenge from the majority opposition United National Congress led by Mr Basdeo Panday. Traditionally, the PNM has appealed most to Trinidadians of African origin, while the UNC has been favoured by Indo-Trinidadians.

Mr Manning's decision was also prompted by the government's failure four months ago to get Ms Occah Seapaul, to resign as Speaker of parliament following her involvement in a court case. The prime minister's resort to a state of emergency and the house arrest of the Speaker to force her resignation was criticised as excessive.

PNM officials say the party's campaign will be based on the performance of the energy-based economy of the past two years, after several years of stagnation. "Last year we projected growth at 2.5 per cent and we achieved 4.5 per cent," said Mr Wendell Mottley, the finance minister. "The additional growth was mainly from expansion in oil and gas and in petrochemicals, the latter mainly from higher methanol and ammonia prices."

The growth is continuing with expansion of 1.5 per cent in the first quarter of this year. "This has signaled the end of the economic problems which we had up to 1993," said Mr Mottley. The economy was subject to structural adjustment which saw extensive deregulation, mainly with the removal of exchange controls.

> 'The current parliament reduces the government's flexibility in conducting business to unacceptable levels'

The level of dislocation in Trinidad and Tobago has been far less than that of some of its neighbours which have implemented adjustment policies. The exchange rate is being held up by strong inflows of foreign currency from foreign investors and funds repatriated by Trinidadians, Mr Mottley reported. "Manufacturers were sceptical about the economic adjustment programme and said 40,000 jobs would be lost, but this has not happened."

Growth in exports and a fall in imports produced a merchandise surplus of $652m last year, about twice the surplus of 1993. The current account surplus of $355m last year was five times that of the previous year. Reschedulings and timely repayments have reduced the foreign debt from $2.52bn five years ago to $2.06bn.

"There has been an indication of positive change in the macro-economic indicators, but one wonders if this is sustainable," said Mr Selby Wilson, finance minister in the previous administration. "Much hinges on the continued performance of oil and energy."

Mr Wilson is more concerned about the level of unemployment which has been falling over the last five years, but which is still at 18 per cent. While there has been economic expansion through new investments, most of these have been capital intensive, he explained, with most jobs being in temporary construction.

Unemployment has not been falling fast enough and is a major problem for the government, Mr Mottley conceded. He expects more jobs to be created with a widening of the economic base. Two major resorts are to be built in Tobago by local and foreign companies, while the expansion in petrochemicals is being led by a US$1bn liquefied natural gas plant being built by Amoco and Cabot LNG of the US, British Gas, and Trinidad's state-owned gas company.

The UNC will attack the government's "poor" record on employment, and on the "destruction" of the social services caused by the structural adjustment policies, said senior officials of the UNC party. "There are just not enough jobs and there is a growing army of unemployed which threatens the social stability of the country," said one.

Makers press for battery cars re-think

By Christopher Parkes in Los Angeles

Leading vehicle manufacturers in the US have relaunched a campaign against a controversial Californian government order obliging them to introduce battery-powered cars in the state in 1998. While pressing for a wholesale re-think of the project, the least they hope for in the immediate future is that the debate will be reopened after a public meeting in Los Angeles tomorrow.

A group of independent experts is due to report the results of a technology audit ordered in June in a surprise intervention by state Governor Pete Wilson.

The industry hopes the study, for which the panel visited battery development facilities in Europe, Japan and the US, will support its core argument that the technology is not yet ready to meet the state authorities' own criteria.

These include "conventional vehicle performance, adequate driving range... and... reasonable cost to the consumer".

"We are getting towards crunch time," said one official at the American Automobile Manufacturers' Association, which two weeks ago started trying to rouse public interest in its predicament with a radio advertising campaign.

"The next three or four months are crucial," he said, noting production capacity would need to be installed soon if leading manufacturers were to meet the requirement that 2 per cent of their 1998 model-year sales must be zero-emission vehicles.

The California Air Resources Board, which formulated and will be responsible for administering the mandate, is due to undertake a final review of its plans next January.

Before then, it may be to the industry's advantage if it can draw Mr Wilson back into the debate. Environmental lobbyists were shaken when he ordered the so-called "battery audit" in June after coming under pressure from fellow-Republicans representing mid-West states heavily dependent on the motor industry.

US-Cuba council

The US-Cuba Trade and Economic Council points out that it does not act as a lobby group in the US, as stated in the FT's survey on Cuba published on September 26. The council is a non-partisan organisation that exists to disseminate information on US-Cuban commercial relations, and takes no position on the US embargo of Cuba.

AMERICAN NEWS DIGEST

Quake hits south Mexico

Mexico yesterday declared a state of emergency in the south-western coastal states of Colima and Jalisco after reports that a strong earthquake had killed dozens of people and destroyed buildings in several towns.

President Ernesto Zedillo ordered troops and civil defence workers into the area to help the rescue and relief effort after the quake, which measured 7.6 on the Richter scale and also shook Mexico City. Buildings swayed in the capital, frightening people into the streets.

A Jalisco state spokeswoman said that at least 14 people had been reported killed and 80 injured in two small towns of Tenamaxtlan and America, near the Pacific Coast. Both towns were isolated by rockslides and collapsed bridges. Trading on Mexico's stock market was halted for 40 minutes. *Agencies, Mexico City*

Buenos Aires snubs Peronists

Argentina's governing Peronist party has been beaten into third place in senatorial elections in the federal capital of Buenos Aires, thereby suffering its first serious electoral setback since 1993.

Sunday's election was won easily by Mrs Graciela Fernández Meijide of the centre-left Frepaso alliance, who polled 45.7 per cent. The Radical party came second on 24.3 per cent, leaving Peronist candidate Mr Antonio Erman González in third place on 22.5 per cent.

Although the mainly middle class voters of Buenos Aires have traditionally been hostile to Peronism, the size of the defeat is bound to unnerve the governing party. Mrs Meijide campaigned strongly on the issues of record unemployment and corruption, two of the weakest flanks of President Carlos Menem's administration. The poll confirms Frepaso, which came second in May's presidential elections, as the main opposition force, usurping the role long held by the Radical party.

The stage is set for the election of a mayor of Buenos Aires later this year, the first time the post will be decided by vote. The Peronist party will seek to prevent what will be one of the country's most powerful political positions from falling into the hands of Frepaso. *David Pilling, Buenos Aires*

Sabotage feared in train crash

An Amtrak passenger train was derailed in the Arizona desert yesterday killing one person and injuring more than 100 in what authorities said could have been sabotage. "We have evidence it was not an accident – it could be terrorist activity," Mr Joe Arpaio, Maricopa county sheriff, said.

Authorities said an electrical cord had been found wrapped around the tracks and notes had been found near the place where Amtrak's Sunset Limited train crashed en route from Miami to Los Angeles carrying 248 passengers. *Reuter, Phoenix*

Ecuadorean probe continues

Ecuador's supreme court is this week expected to resume investigations into Vice-President Alberto Dahik, despite his acquittal by Congress on corruption charges last Friday. Mr Carlos Solorzanom, the court's president, said he would examine microfilms that document the alleged misuse of secret state funds by Mr Dahik.

It is unclear how President Sixto Durán Ballén will restore unity in his government after Mr Dahik refused to resign in response to the president's request 10 days ago. Mr Vicento Maldonado, industry minster and one of several cabinet members who expressed loyalty to the vice-president, said Mr Dahik and the president would have to talk "as mature men" to resolve the crisis. *Raymond Colitt, Quito*

Drug funds for president denied

Mexico has strongly denied allegations by a Colombian news magazine that the Cali drug cartel donated money to Mexican President Ernesto Zedillo's election campaign last year. "The report. . . quoting the Colombian magazine Cambio 16 as saying gangs of drug traffickers provided resources for the electoral campaign of the PRI candidate for the presidency is absolutely false," the Interior Ministry said on Sunday night.

The weekly magazine had quoted an unnamed official from the US Drug Enforcement Administration as saying the cartel had partly funded Mr Zedillo's campaign, probably without his knowledge. It did not give further details. The ministry said it had made a strong formal complaint to Cambio 16 and was studying possible legal action. *Reuter, Mexico City*

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday October 10 1995

IN BRIEF

Commerzbank on UK purchase trail

Commerzbank, the German bank, remains interested in making an investment banking acquisition in London in spite of having drawn back from a bid for Smith New Court, the UK stockbroking firm, this year, said Mr Martin Kolhaussen, chairman of Commerzbank's board of managing directors. Page 18

Sweden to sell 30% stake in Nordbanken
It collapsed in 1992, becoming the biggest casualty of Sweden's banking crisis. Its rivals say it has been "doped" back into profit with taxpayers' money. Now Nordbanken, the country's biggest bank by market share, is for sale again, with the Swedish government offering a 30 per cent stake. Page 18

Metro to merge retail operations
Metro, Germany's largest retailing group, announced that it is to merge Asko and Kaufhof, its retailing subsidiaries, with its own cash-and-carry business. All three will be placed in a new holding company. Page 18

Novell warns of Windows 95 impact
Novell, the second largest personal computer software company, after Microsoft, has issued a profits warning because of the effects of the launch of Windows 95 by its US rival. Page 19

Battered US insurers look overseas
Battered by poor results from the property/casualty insurance business at home and a rash of revelations about misleading sales practices in their life operations, some of the US's biggest insurers have been looking distinctly ragged. Behind the domestic turmoil, though, lies a new push into international markets. Page 19

Telefónica subsidiary shines in S America
Tisa, the international subsidiary of Telefónica, is often referred to as the jewel in the Spanish group's crown. It is the dominant telecoms operator in Argentina, Chile and Peru, has a strong presence in Colombia, Puerto Rico and Venezuela and accounts for nearly 20 per cent of Telefónica's group income. Page 20

Pakistan moves to sell off United Bank
Pakistan yesterday set in motion a programme to partially privatise United Bank, its second largest commercial bank. It is seen as an important step in the state's efforts to rid itself of the remaining troubled public sector banks. Page 21

Lucas forecasts car and truck slowdown
Growth in the car and truck markets is likely to slow over the next two years, according to Lucas Industries, the UK maker of component systems for both the automotive and aerospace industries. Lucas announced pre-tax profits of £30.4m ($47m) in the year to the end of July. Page 22

Statoil considers joining battle for Aran
Statoil, the Norwegian state oil company, said it was contemplating its first takeover of a production and exploration company by joining the bid battle for Irish group Aran Energy. Aran rejected an increased offer from Atlantic Richfield Corp of the US. Page 24

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
AEG	144.5	+	4
DLW	334	+	7.5
Deutsche Babck	143	+	5
Herlitz	270	+	7
Falls			
Rheinmetall Brie	225	–	5
Verein-West	317	–	5
NEW YORK ($)			
Rises			
Amway Japan	20¾	+	1
Kingworld Prd	36¾	+	2¼
Timberland A	25¾	+	1⅞
Falls			
Arrow Elec	48	–	2⅝
LSI Logic	48½	–	2⅞
Micron Tech	68¼	–	4⅝
LONDON (Pence)			
Rises			
Azlan Group	465	+	45
Instem	187	+	28
TSB	353	+	79
Falls			
Forward Tech	85	–	9½
Jordan (Thos)	26	–	6
Oliver Group	37	–	25
PARIS (FFr)			
Rises			
Worms Cie	217.9	+	11.7
Falls			
Bancaire Comp	460	–	10.6
Club Med	431.4	–	32.8
Dollfus Mieg Cie	250	–	9.5
Lafarge	312.6	–	10.2
Lagardere	87.2	–	3.8
TOKYO (Yen)			
Rises			
Iwatsu Elec	595	+	37
Tosoh Corp	488	+	25
Falls			
Aoyama Trading	2850	–	150
Dai Nippon Phrm	941	–	47
Daiwa Bank	682	–	38
Hino Motors	780	–	38
HONG KONG (HK$)			
Rises			
China-HK Photo	4.0	+	0.175
HK Ferry	8.2	+	0.35
Lucky Man Prop	5.7	+	0.25
Theme Intl	1.71	+	0.17
Falls			
Chi Cheung	2.425	–	0.175
Kwck Seng Inv	2.4	–	0.225
BANGKOK (Baht)			
Rises			
Krungthep	146	+	11
Kulthorn Kirby	65.5	+	4.0
Matichon	120	+	10
Regional Cont	260	+	14
Falls			
Navakij Ins	87	–	5.5
Univentures	89	–	8

Toronto closed. New York prices at 12:30.

Lloyds plans merger with UK bank rival

By Alison Smith and Nicholas Denton

Lloyds Bank and TSB Group are tomorrow expected to announce a merger which would create the UK's third largest bank with total assets of £127.8bn ($198bn) and which could trigger further restructuring in the financial services sector.

The deal, which follows Lloyds' £1.8bn cash acquisition of Cheltenham & Gloucester Building Society in August, would produce the UK's most extensive banking network with almost 3,000 branches and more than 12m customers.

TSB shares rose sharply, by 79p to close at 353p, after yesterday's statement that the two organisations were in talks about a possible merger. Lloyds shares rose 21p to 728p.

Lloyds said it was planning to value TSB at 329p a share, including a special dividend of 68p net of tax. The dividend worth just under £1bn would come mainly from TSB's reserves. The offer would value TSB at £5bn and would mean that Lloyds shareholders would own 70 per cent of the combined organisation while TSB shareholders would own the remaining 30 per cent.

In asset terms the combined bank would rank behind National Westminster Bank, Barclays Bank and ahead of Midland Bank. But it would still be smaller than HSBC, Midland's parent, which also has substantial overseas operations.

In terms of market capitalisation, the £15bn combined bank would be larger than all other UK banks except HSBC group which owns Midland.

The move would be the largest UK bank merger since 1970 when Westminster and National Provincial combined to form National Westminster Bank.

Discussions between the two banks became serious in early September. TSB was already being advised by J P Morgan, while Lloyds appointed Baring Brothers.

Initally, the Lloyds and TSB brands would be maintained. TSB is much stronger in the north of England and in Scotland, while Lloyds has a better presence in southern England.

TSB's £30bn-plus in total assets means that the merger qualifies as one on which the Office of Fair Trading would advise ministers at the department of trade and industry about a possible referral to the Monopolies and Mergers Commission.

The deal might also face a further hurdle in the form of a counter-bid. Although the discussions are far advanced, another bank might also be attracted by a deal structured along the lines of Lloyds' plan.

The combined bank would be called the Lloyds TSB Group, and Sir Brian Pitman and Sir Robin Ibbs, Lloyds chief executive and chairman, would retain those positions in the enlarged organisation.

Lex, Page 16

Nedlloyd shares fall as new services trim forecast

By Charles Batchelor, Transport Correspondent

Shares in Nedlloyd fell 15 per cent yesterday after the Dutch shipping and road haulage group scaled down an earlier profit forecast, blaming disappointing performances from two newly launched services.

The company expected results for 1995 to be substantially lower than last year. It had previously forecast that this year's profits would at least match last year's figure, excluding non-recurring items, of Fl 107m ($67m). One analyst expected profits to be between 20 and 50 per cent lower.

Nedlloyd's shares fell Fl 8.40 to close at a low of Fl 46.60. The weakness of the dollar, the currency in which most international shipping services are priced, accelerated the shares' slide, one analyst said.

The volumes of containers shipped on two newly launched services between Europe and Asia, and between Asia and US east coast were below expectations in July and August. The new services, launched in partnership with three other shipping lines a year ago, had performed well in the first half. One analyst said Nedlloyd appeared to have been lulled into a false sense of security by the success of these services in the first half but when business turned down costs rose rapidly.

The other members of the container partnership with Nedlloyd are Mitsui OSK Lines, American President Lines and Orient Overseas Container Lines of Hong Kong.

Nedlloyd also said that operating costs had increased as a result of congestion in several important ports.

The company plans to produce a revised profits forecast for 1995 when it announces its third quarter's figures on November 29. It expects non-recurring income and expenses to total about Fl 100m.

The two other main parts of Nedlloyd's activities, road transport and offshore drilling and services, were performing well.

Container shipping has been growing rapidly around the world but there is also considerable overcapacity on many routes and fierce price competition.

Container tonnage carried westbound across the Pacific by shipping companies involved in "conferences" – formal agreements on pricing – rose 18.5 per cent in 1994 while eastbound shipments rose 12 per cent, according to Lloyd's Shipping Economist.

Nedlloyd announced in August that first-half net profits, including extraordinary items, rose from Fl 35m to Fl 96m on turnover up 4 per cent at Fl 3.33bn.

RTZ and CRA have moved to avoid conflicts of interest, write **Nikki Tait and Kenneth Gooding**

A new type of deal for mining's changing world

The mining world is changing very quickly and relationships between mining companies, such as the one involving RTZ, the world's biggest mining group, and CRA, its 49 per cent-owned Australian associate, are having to take those upheavals into account.

Mr Bob Wilson, RTZ's chief executive, pointed out yesterday that half the countries in the world had, since the end of the 1980s, opened their doors to international mining companies, encouraging them to invest. About 75 countries had changed their mining laws to make them more attractive. In these circumstances, the opportunities were growing for conflicts of interest between RTZ and CRA.

When RTZ was faced with a similar difficulty in Canada with its 51.5 per cent-owned Rio Algom subsidiary, it decided in 1992 to sell – for £118m ($186m) to a group of Canadian institutions. After all, RTZ was well represented in North American mining via its 100 per cent-owned Kennecott offshoot. But CRA is much more important to RTZ. CRA brings substantial shares in iron ore and coal markets and is handily placed for the Asia-Pacific markets that are growing much faster than the rest of the world and have a vast appetite for raw materials.

From CRA's perspective it needs to diversify, in terms of the minerals it is mining and the geographic area in which it operates, if it is not to be left behind by other leading mining groups. How could it move into North or South America or Africa when RTZ is so well-entrenched?

One obvious solution to these conflicts is for RTZ and CRA to merge. The CRA board, following a strategic review this year, made this proposal to RTZ.

However, a takeover by RTZ would have presented considerable tax problems for CRA shareholders. Instead, the two groups hope to gain the full benefits of a merger by combining their businesses in a unified structure. This will see each continuing as a separate quoted company and retaining its corporate identity but managements and operations will be combined so that, effectively, they will become a single corporate entity.

This way, CRA shareholders avoid capital gains liabilities and CRA's ability to pay a franked dividend to its Australian shareholders will be unaffected. RTZ, on the other hand, escapes the need to pay a big premium to increase its stake in CRA.

Also, as there is no exchange of assets between the two companies, the arrangement should not create problems with the various joint ventures in which RTZ and CRA are involved by triggering the pre-emptive rights that are common and troublesome in the mining industry.

Convincing as the arguments might be for what the companies call a dual listed companies merger, markets do not like complexity and the RTZ-CRA deal is complex. That almost certainly accounted for the rather cautious welcome it was given yesterday.

Australian analysts suggested the arrangement favoured CRA while many in London said RTZ was the big beneficiary.

Australians echoed comments by Mr John Uhrig, CRA's chairman, who said the deal "allows us to remain an Australian company but fast-tracks us into growth in the world mining business".

In contrast, Mr Emil Morffett, analyst at Paribas Capital Markets in London, said: "RTZ shareholders are getting a very good deal. RTZ gets control of CRA's cash flow and a company with better growth prospects." RTZ's copper unit had seen the top of the economic cycle, he argued, CRA had yet to get the full benefits of improvements in iron ore and coal markets.

Mr Wilson stressed yesterday the deal would get the best out of the two companies' management skills and expertise. This was emphasised by the revelation that, overshadowed by other aspects of the deal, RTZ is settling its management succession.

Sir Derek Birkin, RTZ's non-executive chairman, plans to retire in December next year. Mr Wilson will take over as chairman of the combined RTZ-CRA group but in a full-time capacity. That will leave room for Mr Leon Davis, present chief executive of CRA, to take over as chief executive of the new combine. Mr Davis spent three years, from 1991, on secondment to RTZ where he was mining director, so he is steeped in the corporate culture.

When these changes take place his successor in London, Mr Leigh Clifford, will return to Australia to become managing director of CRA with specific responsibility for most of the Australian-Pacific operations of the combined group.

Provided both sets of shareholders agree, the merger of the RTZ and CRA businesses into one international enterprise will be effected through a sharing agreement providing for common boards and unified management as well as equivalent dividends and voting rights.

RTZ said the shareholders would be in the same position as if they held shares in a single enterprise which owned all the assets of both companies. "We are making sure the complexities of the holding company structure are not not reflected in the operations," said Mr Wilson.

The effect of the terms will be for RTZ shareholders to have "an economic interest" in 76.5 per cent of the merged group while CRA public shareholders' interest will be 23.5 per cent.

As might have been expected from two companies so closely associated for so long – the relationship dates back to 1962 when RTZ had 92 per cent of CRA – their portfolios are complementary in size, geography and product range. RTZ operates mainly in the western hemisphere while CRA focuses on the eastern hemisphere. RTZ's principal assets are in copper, gold, borates, titanium dioxide feedstock and US domestic coal, while CRA's are in aluminium, iron ore and coal. This lack of overlap gives RTZ confidence the deal will not run foul of US anti-monopoly regulations.

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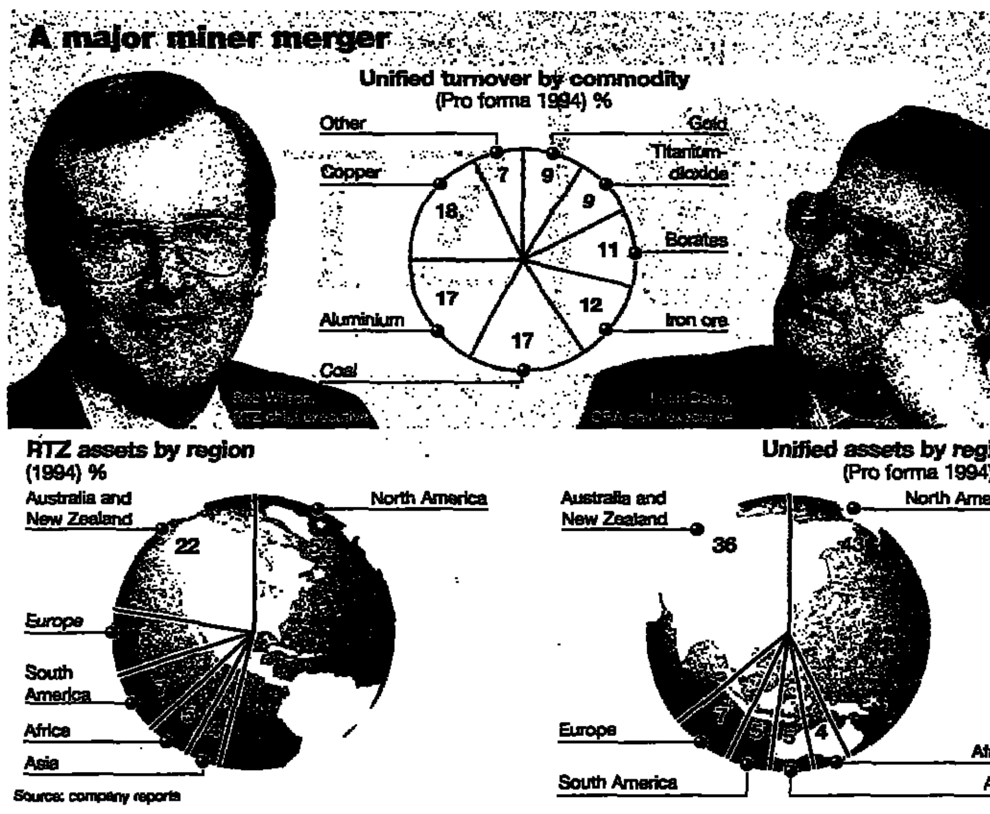


Source: company reports

Trading in Gemina suspended as accounts inquiry deepens

By Andrew Hill in Milan

The Italian stock exchange watchdog yesterday suspended trading in the shares of Gemina "indefinitely" as magistrates deepened their investigation into alleged falsification of the Italian investment company's accounts.

On Saturday, Milan magistrates notified 10 senior executives and former executives of Gemina and RCS, the group's publishing and media subsidiary, they were under investigation.

Yesterday morning, Gemina's shares were marked down to L685 – 8 per cent lower than their closing price on Friday – but before the market opened, Consob, the markets watchdog, delayed trading in Gemina stock and then announced their indefinite suspension.

The investigation could delay the plan to merge Gemina with Ferruzzi Finanziaria (Ferfin), the holding company which controls the Montedison industrial group. The companies had expected to announce terms of the merger between October 15 and 20.

Mr Francesco Greco, the Milan magistrate conducting the inquiry, said he was not looking into the "SuperGemina" wider holding operation, and that the investigation would be carried out as quickly as possible.

The market is increasingly nervous about the bad news emerging from Gemina, which is controlled by Fiat, the automotive group, Mediobanca, the merchant bank, and other prominent Italian industrial and financial companies. The weekend's events depressed shares in all the companies involved.

Since unveiling the SuperGemina plan on September 1, Gemina has announced deep first-half losses, mainly due to continued problems at RCS, which analysts believed new management had brought under control. Consob is understood to be dissatisfied by Gemina's recent statements about the situation at RCS, and is pressing for further clarification.

At the centre of the judicial inquiry is RCS Libri e Grandi Opere, which produces books and lavish publications, paid for in instalments. The write-off of bad debts on these publications was one of the reasons for last year's unexpected loss of L446bn ($276m) at RCS Group, the parent company, and a first-half loss of L276bn.

Yesterday, officials removed documents from the Milan offices of Coopers & Lybrand, which audits the accounts of Gemina and RCS, and Arthur Andersen, which audited the accounts of RCS Libri e Grandi Opere. Finance police raided the offices of Gemina and a number of its subsidiaries at the weekend.

Both accountancy firms said they were collaborating with magistrates' requests for information.

The investigation could lead to renewed tension between Gemina and IFI, the financial holding company controlled by the Agnelli family. RCS bought the "grandi opere" company from IFI in 1990.

EUROPEAN NEWS DIGEST

Club Med forecasts sharp rise for year

Mr Serge Trigano, chairman and chief executive of Club Mediterranée, the French-based leisure group, yesterday predicted full-year profits for the current financial year would almost double from FFr94m to between FFr160m and FFr180m ($31.9m-$35.9m).

He also confirmed that Union des Assurances de Paris, the French insurance group, would sell all of its 490,000 shares, representing a 4.5 per cent stake. At the same time, two other companies, Rolaco and Exor, had expressed a willingness to increase their holdings by 250,000 and 240,000 shares, respectively.

The announcement follows Club Med's announcement late last month that it was increasing its stake in Exor, the Luxembourg group, from 2.97 per cent to 13 per cent. It also follows a decision by Rhône-Poulenc, the French chemicals group, to sell options in Société Générale, the banking group. The bank confirmed that Rhône-Poulenc would remain represented on its board, and had no intention of selling its shares in Rhône Poulenc. *Andrew Jack, Paris*

Kone hit by disappointing result

Shares in Kone, the Finnish lifts group, fell 6.5 per cent yesterday after a worse-than-expected interim performance hit by competition and falling prices. Profits after financial items dropped 19 per cent from FM167m to FM136m ($31.6m) in the first eight months, despite firmer sales and good order growth.

The market had expected profits of about FM180m and marked the company's B shares down FM30 to FM435, a year low.

Kone warned full-year profits would be less than the FM400m achieved last year. It said its efforts to cut its material, component and installation costs would not offset falling prices.

The group said underlying sales and orders rose around 40 per cent following last year's $280m purchase of the US lifts group Montgomery. However, a 12 per cent rise in the Finnish markka meant sales rose only 21.5 per cent from FM4.75bn to FM5.77bn. Operating profits fell from FM205m to FM188m, lowering the company's operating margin from 4.3 per cent to 3.3 per cent. *Christopher Brown-Humes, Stockholm*

Good domestic demand for KPN

The Dutch government's sale of a second tranche of shares in KPN, the state-controlled postal and telecoms company, opened yesterday amid signs that demand from domestic institutions was stronger than from international investors.

"It is fair to say that the feed-back from Dutch institutions is slightly more positive than from foreigners," said one banker involved in the KPN transaction.

A similar pattern of demand was revealed when an equity offering from Telefónica, the Spanish telecoms company, closed last week. The foreign institutional tranche was 1.7 times subscribed, compared with the domestic institutional tranche which was three times subscribed. Nevertheless, the overall positive response from the pre-marketing phase means that the Dutch government was confident it would be able to sell at least 100m shares in KPN, said ABN-Amro, the Dutch bank which is arranging the offering. At yesterday's closing share price of Fl 55.60, the government would raise Fl 5.56bn ($3.5bn) from the sale of 100m shares, or 21.8 per cent of KPN's share capital. *Antonia Sharpe*

Further Repsol sale possible

The Spanish government could sell off a further tranche of its 21 per cent holding in the oil and gas company Repsol next year, according to a senior government official.

"Another sale is possible next year," said Mr Hector Lopez, chief financial officer of Sociedad Estatal de Participaciones Industriales (Sepi) which holds the government's stake in Repsol, which at current share prices is worth around $2bn. *Antonia Sharpe*

Metro to integrate Asko and Kaufhof

By Judy Dempsey in Berlin

Metro, Germany's largest retailing group, is to merge Asko and Kaufhof, its retailing subsidiaries, with its own cash-and-carry business. All three will be placed in a new holding company, Metro announced yesterday.

The core of the management of Metro Handels Holding, the new company, will come from Kaufhof. Asko shareholders will be offered shares in Metro Handels Holding. It remains unclear how Kaufhof's shareholders will be compensated.

The merger is seen by analysts as an effort to cut costs, continue restructuring and tighten up management. "Metro wants to internally restructure the company," said Mr Cy Schluter, manager of CAI, consultants specialising in retailing. "This will enable it to cut costs and exert tighter control over the group's entire operations," he added.

Metro has not yet released figures for 1994 sales, but said analysts expected them to remain unchanged at DM81bn ($56.7bn). However, the company yesterday would not confirm this nor comment on the reasons for the merger. Besides its cash-and-carry operations, Metro's other activities include Saturn, the music and video entertainment division, and Vobis, the computer and electronic retailers.

Asko, a supermarket and cash-and-carry chain which has had a co-operative structure and close links with the trade unions, was taken over by Metro in 1990. "But the integration of Asko proved more difficult that at first thought," said Mr Schluter.

Asko ran up losses of DM462m in 1992 and returned to the black the following year. Last year, the group reported net profits of DM358m on sales of DM6.7bn. Kaufhof, which has 1,438 outlets throughout Germany, last year generated sales of DM26.3bn and net profits of DM137.3m. The Metro group employs 150,000.

The merger coincides with a sustained period of sluggish consumer demand caused by the high burden of taxation. Retail sales fell 2 per cent for the first half of 1995 compared with the same period in 1994.

Commerzbank reaffirms interest in UK buy

By John Gapper in Washington

Commerzbank, the German bank, remains interested in making an investment banking acquisition in London, despite having drawn back from a bid for Smith New Court, the UK stockbroking firm, earlier this year.

Mr Martin Kohlhaussen, managing board chairman, told a press conference in Washington there were still "strong and extremely well-managed houses" left in London.

He said Commerzbank, which withdrew from an effort to buy Smith New Court, leaving the field clear to the US investment bank Merrill Lynch, was considering investment banking acquisitions in the US and Europe.

Commerzbank was constantly taking part in "conversations" with potential targets, including smaller US investment banks which considered themselves "too small to survive on their own, but too big to die".

Mr Kohlhaussen said there was no need for Commerzbank to panic in the belief that it was falling behind other banks, including its German rivals Deutsche Bank and Dresdner Bank, which have both acquired UK merchant banks.

Deutsche bought Morgan Grenfell for £950m ($1.5bn) almost six years ago and last July announced it was fully integrating the business with its investment banking operations. In August, Dresdner completed its acquisition of Kleinwort Benson for almost £1bn.

"There might be others ahead of us in investment banking, but I hardly envy them having to swallow and digest and integrate those operations. Our performance signals that we are not a bad bank," said Mr Kohlhaussen.

Commerzbank was still interested in buying a stake in Creditanstalt Bankverein, the state-controlled Austrian bank which is being sold with the help of J. P. Morgan, the US investment bank, he said. The deadline for bids was yesterday.

However, he criticised a J. P. Morgan estimate that a Creditanstalt stake could be sold at a 30 per cent premium to the current market price. Commerzbank is part of a consortium that put in a lower offer several months ago.

"It does not appear to me to be a very good judgment by J. P. Morgan. I wish them luck, but I would not go along if the sale was at that price," said Mr Kohlhaussen, who said the consortium's bid remained the same.

Last month, Commerzbank continued the trend among German corporations towards raising funds internationally, with plans to issue up to DM1bn ($700m) of capital through a new share sale to German and international investors.

Mr Kohlhaussen said the aim of Commerzbank's global share offering was to raise its capital ratios. The issue, due to be launched later this month, would provide the means to make an investment banking acquisition.

Slimmer Nordbanken in shape for sell-off

State hopes to raise SKr6bn or more from the sale of its 30% stake in the restructured Swedish bank

It collapsed in 1992, becoming the biggest casualty of Sweden's banking crisis. Its rivals say it has been "doped" back into profit with taxpayers' money. Now Nordbanken, the country's biggest bank by market share, is up for sale again, seeking to persuade international investors it has fully recovered from the traumas of the past few years.

This week, Nordbanken executives are trekking round the world's financial centres touting the merits of the government's sale of a 30 per cent stake in the bank.

The state hopes to raise about SKr6bn ($854m). The privatisation will be the first big pay-back since the government pledged almost SKr90bn to keep the banking system afloat when it was swamped in 1991 and 1992 by a flood of credit losses. A general state commitment to support the banking system is still in place.

Some SKr65bn was shelled out in cash, the majority to rescue and restructure Nordbanken and Gotabank, the other principal casualty, which was merged with Nordbanken at the end of 1993.

Nordbanken, 100 per cent state-owned, has undergone big changes since it crashed. The first crucial stage in its reconstruction was the laundering of its loan portfolio: loans worth more than SKr60bn, mostly linked to real estate, were hived off into a separate state-run "bad bank" called Securum. A similar operation was carried out at Gotabank before it was taken over by Nordbanken.

More than anything else, it has bounced back to strong profitability.

From a low point of a record-breaking SKr16.6bn loss in 1992, Nordbanken returned an operating profit last year of SKr4.8bn – more than any of its three main rivals. In the first half of this year, it achieved a return on equity of 26 per cent, far ahead of Svenska Handelsbanken, the next most profitable.

Nordbanken's miraculous recovery prompted Mr Arne Mortensson, Handelsbanken's chief executive, to remark that the bank's results were due to "doping". Mr Hans Dalborg, his counterpart at Nordbanken, has a measured reply. "We are humble enough to realise that without the solution of Securum, Nordbanken would not exist any more. But you do not create a good bank just by hiving off bad loans to another company."

The Securum operation certainly enabled Nordbanken to trim its loan losses to a manageable level, allowing profits to flow through once more to the bottom line. In 1992, Nordbanken's loan losses hit SKr19.3bn, or more than 7 per cent of the bank's loan portfolio. In the first half of this year, loan losses were down to SKr661m, or 0.5 per cent of lending.

However, as Mr Dalborg suggests, this has not been the whole story. Despite the absorption of Gota, operating costs before loan losses last year at SKr7.1bn were slightly less that the 1992 operating costs of SKr7.3bn.

At the same time, operating income has risen over the past year, despite depressed demand for borrowing and a sharp narrowing of the previously wide spread Swedish banks enjoyed between lending and deposit interest rates. The progress is at least in part attributable to self-help: a rationalisation programme has made today's Nordbanken much leaner. It employs 6,700 staff compared with the 11,500 employed by Nordbanken and Gota in 1990.

Still, there are worries that once the big benefits of falling loan losses are over, the opportunities to sustain the present levels of profitability will diminish, especially given the still sluggish state of the domestic Swedish economy and increasing competition in the banking sector.

Mr Dalborg has defined a strategy for the refurbished Nordbanken that is firmly fixed in the domestic market. All Nordbanken's overseas offices have been closed. The focus is on the home retail banking sector, small and medium-sized corporate banking and on a select group of big corporations. Nordbanken has about a 20 per cent overall share of the banking market.

"We don't need more customers," Mr Dalborg says. "We have access to 3.5m Swedish clients. What we need to do is do more business with the clients we have."

This does not necessarily mean a hard sell. With all too painful memories of the past, Mr Dalborg stresses the bank now has a rigorous credit control regime, adding "you will not see an aggressive loan expansion policy by this bank". Instead, he aims to build up Nordbanken's role in areas such as mortgage lending, corporate business and mutual fund savings schemes where it is either lagging other areas in market share or sees overall growth opportunities.

Nordbanken has moved fast to meet competition from fleet-footed newcomers to the banking scene, holding the biggest share of the growing telephone banking market.

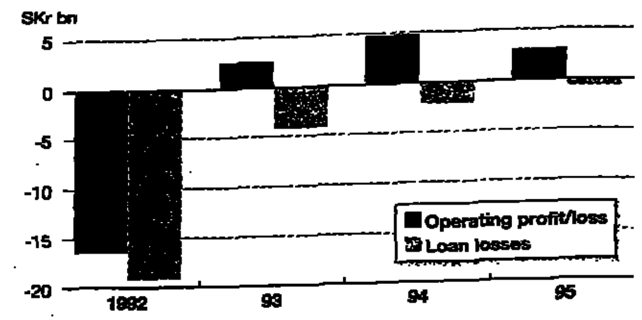
This month's share issue is only the start of the government's plan to sell off all of Nordbanken to claw back as much as possible of its bank rescue outlays. The bank has already paid the state SKr3.6bn in dividends and is to make another one-off dividend payment of SKr2bn.

Nonetheless, Nordbanken promises dividends equivalent to between 30 per cent and 50 per cent of profits. The prospect of a high yield has prompted analysts to suggest the share issue could reach or exceed the SKr92 per share target ceiling, promising SKr6bn or more for the government.

If Mr Dalborg can keep the bank on track, there will be plenty more money for the state to come – and the government should reach its overall target of winning back half of the SKr65bn it spent on bailing out the banking system.

Hugh Carnegy and Christopher Brown-Humes

Nordbanken



Government rescue
Banks merged, 1994

Nordbanken	2.0bn	Shareholder buyout
	24.0bn	Capitalisation of Securum "Bad Bank"
	14.0bn	Direct capital injection
Gotabank	4.0bn	Capitalisation of Retriva "Bad Bank"
	20.0bn	Direct capital injection
Total	64.0bn	

Source: Nordbanken prospectus, Bank Support Authority

Novell warns of Windows 95's effect on profits

By Louise Kehoe in San Francisco

The first indications of the success of Windows 95, the Microsoft personal computer operating system program launched in August, will be provided in the quarterly results from US personal computer and software companies over the next few weeks.

Novell, the second largest personal computer software company, after Microsoft, has already issued a profits warning because of the effects of the Windows 95 launch.

Analysts believe Microsoft has sold more than 2.5m copies of Windows 95 since the August launch, and are projecting strong results for the company.

It is not clear what portion of revenues from the new program will be recognised in the latest quarter. Microsoft has said it would book revenues from Windows 95 gradually over the next few quarters to limit volatility in its earnings.

However, Novell has warned that earnings for its fourth quarter, which ends on October 28, will be below analysts' projections.

It said sales of its personal computer business applications programs, such as Perfect Office, designed to run on older versions of Microsoft Windows, have declined sharply since the launch of Windows 95.

The company estimates that fourth-quarter sales of these products, which last year accounted for about 28 per cent of revenues, will fall to about $59m in the current quarter, from $134m in the same period last year.

The weakness is "primarily due to a continued decline in the Windows 3.1 application market following the introduction of Microsoft's Windows 95 operating system in August", Novell said.

Novell plans to launch new versions of its applications, designed to run on Windows 95, early next year. In the meantime it is struggling to compete with Microsoft's Office 95 applications, which already command more than 80 per cent of the world market.

Novell expects fourth-quarter earnings to be between 15 and 18 cents a share. Analysts had been projecting 28 cents. Last year, final-quarter net earnings were 17 cents a share.

Offers made for Smith Corona operations

Smith Corona, the US typewriter manufacturer which went bankrupt in early July, said it had received proposals from unidentified parties to acquire its ongoing operations. None of the offers would result in full payment to creditors, writes Tony Jackson in New York .

The company, operating under Chapter 11 with the assistance of a $24m financing package from its bankers, is restructuring its operations to concentrate its typewriter manufacture in Mexico, after closing down in Singapore and Indonesia.

Hanson, the UK conglomerate which owns 48 per cent of the company, is expected to take a charge against earnings in its final quarter which ended in September. Hanson was in the process of seeking a buyer for its stake when Smith Corona filed for Chapter 11.

Smith Corona blamed its bankruptcy on a collapse in demand for typewriters and personal word processors as a result of the surge in popularity of personal computers, and on its high cost base.

It said it hoped to reach a sale agreement soon, subject to court approval.

US insurers broaden their horizons

Richard Waters on the background to a strategy for worldwide growth

This may not seem the most obvious time for US insurers to be reaching abroad. Battered by poor results from the property/casualty insurance business at home and a rash of revelations about misleading sales practices in their life operations, some of the country's biggest insurers have been looking distinctly ragged.

Behind the domestic turmoil, though, lies a new push into international markets by a number of institutions. If successful, it could lay a foundation for long-term growth around the world, particularly in the emerging markets of Latin America and Asia.

Typical of those looking increasingly overseas is Cigna, the Philadelphia-based insurer which already earns around 17 per cent of its revenues from outside the US.

A week ago, Cigna became the latest company to announce a big addition to reserves to meet old environmental liabilities – in its case, amounting to $750m. Even without this, the company has been struggling to revamp a loss-making domestic property/casualty business (see table.)

The turnround in Cigna's international operations, though, has already started to yield results. With no coherent worldwide underwriting strategy and a disparate array of autonomous national insurance operations, the group used to be "prey to the vagaries of whichever market we were in", says Mr Edward Hanway, head of Cigna's international operations.

That, and poor control of costs, produced a combined ratio for the international operations of around 125 to 130 at the start of the decade, he adds (anything over 100 represents an underwriting loss.)

Costs have since been cut to around 37 per cent of revenues, from 43 per cent and underwriting discipline has been tightened through a global risk management system that provides indicative rates to underwriters in all 51 countries where Cigna operates.

"The initial reaction [from employees abroad] may have been that this takes away their freedom," Mr Hanway says. But he claims that "they now view it as a very effective tool", giving them far more information about loss experience in each type of business they underwrite.

The result is likely to be a combined ratio of around 96 this year, says Mr Hanway. He concedes that an improvement in underwriting markets around the world has contributed to this turnround.

With a sounder international property/casualty platform, Cigna is now pushing hard in two areas: sales of life assurance products, particularly in Asia, and the provision of health insurance.

As one of the biggest US health insurers, it should be well-placed to export its knowledge of managed healthcare, Mr Hanway says.

Metropolitan Life, the second biggest mutual insurer after Prudential, has also faced tough domestic problems in the 1990s, though they have been different from Cigna's.

MetLife's domestic sales practices have been put under the microscope since widespread abuses were found in its Florida operations two years ago.

Meanwhile, a new management team has been struggling to transplant a profit culture to a mutual company that has never viewed profitability as its main goal.

The creation of new insurance operations in Mexico, Argentina and Hong Kong in the past three years has also signalled an acceleration of the company's move overseas.

Its first venture outside North America – the takeover of Albany Life in the UK in 1985 – failed to provide a strong base for growth.

"Our strategy has developed a lot since that time, particularly in the past five years," says Mr Stephen White, chief executive of MetLife's international business. "Mutual companies in the US have really sharpened their pencils and are looking to grow earnings and capital."

Now, says Mr White, MetLife is intent on boosting its UK operations, as part of a broader push into Western Europe.

The retreat by governments and employers from long-term pension provision is creating a big growth market. "In the next 10 to 15 years, we expect to be in all the major markets in Western Europe. We want to be a dominant player," says Mr White.

Through Seguros Genesis, a joint venture with Banco Santander, MetLife is already among the 10 biggest life companies in Spain.

The UK, though, remains the "cornerstone of our Western European strategy", says Mr White. "We want to be a bigger force in the third largest market in the world."

That may include alliances with banks or others to extend the sales channels for the insurer's products, or outright acquisition.

Neither Cigna nor MetLife is anywhere close to reaching the sort of profits they have targeted from their foreign operations. Both say they aim to achieve a post-tax return on equity of at least 15 per cent from all their businesses. For now, Cigna's return is around 10 per cent.

As a mutual company, MetLife discloses less about its financial record.

Mr White says, though, that the company expects to turn a profit on new international operations within four years, and to reach its targeted return on capital after around 10 years. "We can take a longer-term view," he says.

Cigna – property and casualty

Int'l business ($m)	1994	1993	1992
Revenue	2,610	2,365	2,277
Income before tax	76	4	(78)
Domestic business ($m)			
Revenue	2,871	3,275	3,970
Income before tax	(417)	(884)	(302)

Source: Company report

Dow Jones upbeat despite flat result

By Tony Jackson in New York

Dow Jones, publisher of the Wall Street Journal, produced unchanged earnings of $34m in the third quarter, while earnings per share rose 3 per cent to 35 cents.

Operating profits from newspapers slumped as a result of higher newsprint costs. However, this was offset by sharply higher returns from the group's minority holdings in newsprint producers.

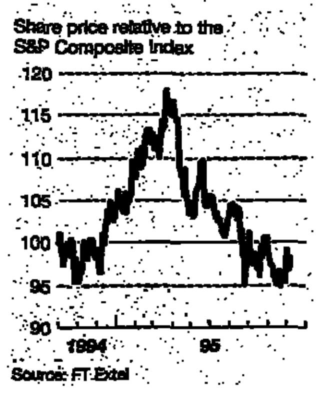
Overall operating income was down 20 per cent at $55m on revenues up 10 per cent at $549m.

In business publishing, which takes in the group's business publications, TV operations and business information services, profits were down 74 per cent to $5m on sales up 12 per cent at $241m. Operating income from local newspapers fell 22 per cent to $7m on sales 8 per cent higher.

Advertising lineage at the Wall Street Journal was up 5 per cent. However, group newsprint costs rose 48 per cent.

Dow Jones

Share price relative to the S&P Composite Index



Source: FT Extel

Income from associates, comprising stakes in newsprint suppliers Bear Island and FF Soucy, moved from a $1m loss to a $4m profit.

The company said that besides higher newsprint costs, earnings had been hit by planned expenditure on new TV and electronic information services. It expected earnings growth to accelerate in the final quarter, and forecast a "solid" increase for the year.

INTERNATIONAL COMPANIES AND FINANCE

Telefónica's overseas arm flexes its muscle

Tisa has built a formidable Latin American empire, writes Tom Burns

Latin American telecoms

Tisa, the international subsidiary of Spain's Telefónica, is often referred to as the jewel in the Spanish group's crown. It is the dominant operator in Argentina, Chile and Peru and has a strong presence in Colombia, Puerto Rico and Venezuela.

And with pre-tax profits last year of $189.8m, Tisa accounts for nearly 20 per cent of Telefónica's group income.

The Latin American companies that come under Tisa's umbrella are, at least on paper, well-placed against the competition. They belong to an intergrated group that is determined to extract the maximum synergies from its Latin American assets. They will also have access to new markets, greater traffic and front-edge services thanks to the global telecoms alliances established by Telefónica.

Tisa entered Latin America snapping up pieces of territory as the opportunities arose, much in the manner of the *conquistadors* 500 years ago. Gradually an imperial view emerged as the different components were stitched together.

Tisa first moved into the area in 1990 when it bought, for a bargain price, a stake in Chile's CTC from Mr Alan Bond, the troubled Australian financier. The subsidiary now owns, controls or manages 14 companies in Latin America ranging from basic telephony, with more than 7m lines installed, to directories and cable-TV and multimedia.

The initial idea was to take advantage of forced disposals, as was the case of CTC, or of privatisation programmes, as in Argentina's Tasa and Peru's CTP, that offered the possibility of modernising networks that, once restructured, had a significant growth potential.

The common Spanish language and Hispanic heritage, a brass tacks approach and a rapid decision-making process – Tisa has only 40 analysts and executives in its head office – gave Telefónica's unit an edge over other international telecoms operators.

The imperial view started to take shape early last year when Tisa paid $2bn for 31.5 per cent of CTP and a 20-year management contract. The Spanish operator then began to talk seriously about synergies and, more importantly, about global alliances.

Mr Ignacio Santillana, Tisa's managing director, claims Tisa is now in a position to take joint action in network planning and design and develop common management practices and the joint marketing of new services.

At a basic level the corporation can, in theory, dictate its own terms to suppliers and, by combining purchase orders in Spain, Argentina, Chile and Peru, reduce its unit costs per line.

Similarly, Tisa is expecting substantial savings from bulk buying of paper for the yellow pages of the telephone directory companies that it controls.

More recently it has begun to look at co-ordinating its international and cellular traffic. Mr Santillana believes that over the next five years this initiative will enable Tisa to improve its results "by an important and substantial amount".

The Tisa empire can also flex its muscles when it comes to forging agreements with international carriers. The ultimate ambition of Mr Santillana is to intergrate Tisa's Latin American franchises with the developed markets of Europe and the US.

A couple of years ago, he recalls, global companies played hard to get when he went to visit them. Now they knock on his door saying: "Do you think there are synergies between you and us? How can we do something together in cellular? How do you see multimedia in Latin America?"

What CTC, Tasa, CTP and the other Tisa assets in Latin America stand to gain from such such approaches is an international dimension. Under the terms of the Spanish corporation's strategy they, like the parent Telefónica, will be part of what the UK's James Capel, in a recent report on Spain's telecoms, termed a "seamless global network".

Telefónica took a key step in its internationalisation strategy this year when it bought a 25 per cent stake in Unisource, a European consortium that groups Sweden's Telia, PTT Telecom Nederland and the Swiss PTT.

Subsequently, Unisource has crafted an agreement with AT&T of the US to form Uniworld, a venture that represents, according to James Capel, "probably the most effective combination of operators around the world".

Tisa is certainly the most appealing feature of the Spanish group as far as its Unisource/Uniworld partners are concerned. The Latin American empire is a huge and rapidly expanding market, and it is this potential that constitutes Telefónica's principal contribution to the global consortium.

Tisa's companies will be handling the corporate traffic provided by Unisource/Uniworld and deriving maximum benefit, particularly in the development of value-added services, from links with global telecoms players.

● *This is the sixth in a series. Previous articles appeared on September 8, 13, 15, 20 and 22.*

Tisa's holdings

Company	Country	Revenue (US$ m)	Net income/(loss) (US$ m)	Stake (%)
Tasa	Argentina	2,151	392	22.0
CTC	Chile	1,023	249	43.6
Tel del Peru	Peru	689	29	31.5
CANTV	Venezuela	1,164	(44)	6.4
TLD	Puerto Rico	67	(1)	79.0
Cocelco	Colombia	18	(7)	31.0
Publigias	Chile	65	9	51.0

Source: Telefónica/Merrill Lynch

AMERICAS NEWS DIGEST

Alumax in $430m US aluminium buy

Alumax, the US aluminium group, is to buy privately-held Cressona Aluminum, a leading manufacturer of extruded aluminium products. It will pay $430m in cash and assume or retire about $70m of Cressona's obligations.

Alumax said it expected the transaction, which is expected to be completed in January, would add to earnings in the first year of combined operations.

Cressona, which has its headquarters in Cressona, Pennsylvania, has annual revenues of more than $500m and employs 1,500 at its four plants. Founded in 1979, Cressona offers standard and custom extruded shapes, extruded rod and bar products, structural and seamless pipe and tube and fabrication services.

Mr Allen Born, Alumax chairman, said: "This acquisition is a further step toward our goal of shifting our business mix to more customised, higher-margin products while expanding our geographic reach in the US."

"This acquisition is a major milestone in implementing our strategic plan, which is intended to make Alumax one of the strongest, most efficient aluminium producers in the world," he said.

Mr Born said the deal would "expand Alumax's position in the fast-growing transportation market – where we see particularly good opportunity – and will give us new distribution capabilities to service centres. Our product lines are complementary with little overlap."

Reuter, Norcross, Georgia

Cost cuts pay off at Alcoa

Alcoa, the world's largest aluminium producer, reported a sharp increase in third-quarter profits as a cost-cutting and restructuring programme continued to produce results. Although aluminium prices remain above lows set two years ago, the company said prices for its products had been stable.

During the third quarter, Alcoa shipped 655,000 tonnes of aluminium, contributing to sales of $3.3bn, compared with shipments of 651,000 tonnes and sales of $2.5bn in the corresponding 1994 quarter.

Nine-month sales rose from $7.3bn a year ago to $9.4bn. Net income rose from $70.1m, or 39 cents a share in last year's third quarter to $226.4m, or $1.27, in the current year. The per-share results have been restated to reflect a two-for-one stock spilt in February.

Laurie Morse, Chicago

Coca-Cola expands in Croatia

Coca-Cola plans to build a second bottling plant in Croatia at a cost of $20m. Its existing plant, in the capital Zagreb, is already working close to full capacity.

The new plant will be in the town of Solin near Split, the Croatian city on the Dalmatian coast. Coca-Cola said the location would make it easier to distribute products throughout Dalmatia, a coastal region of Croatia which was a major tourist centre until war broke out in Yugoslavia in 1991.

Work will begin in the middle of this month and the plant is due to enter production in spring 1996, in time for the tourist season.

The Croatian government is predicting that foreign tourists will start returning to Dalmatia in the coming years following the Croatian army's successful recovery of Krijana, a region of Croatia formerly occupied by rebel Serbs.

The Coca-Cola franchise for Croatia was taken over in April by Coca-Cola Amatil, the Australian soft drink company controlled by Coca-Cola of the US. According to Coca-Cola, the company had a 50 per cent share of the carbonated soft drinks market in Croatia in 1994 and a comfortable lead over its nearest rival.

Gavin Gray, Ljubljana

Stock split at Dell Computer

Dell Computer, the US computer group, has authorised a two-for-one stock split in the form of a 100 per cent stock dividend.

This will be the company's second stock split since it went public in June 1988, and will be payable on October 27 to stockholders of record on October 20. At the end of July, about 45.8m shares were issued and outstanding.

"This stock split is made possible by consistent business execution and strong financial performance over the past two years," said Mr Michael Dell, chief executive officer.

"We have achieved a good balance among liquidity, profitability and growth, combining a strong balance sheet with a growth rate that has been twice the industry average."

Reuter, Austin, Texas

The BIEE memorial award for Andrew Holmes

Applications are invited for the second British Institute of Energy Economics (BIEE) annual research award in memory of the distinguished *Financial Times* journalist and editor of *Power in Europe*, Andy Holmes. The £1,000 BIEE award is open to men and women between the ages of 21 and 35, resident in the United Kingdom, and who are interested in energy issues.

Applicants should submit a two-page original, non-technical research proposal related to energy or to energy and the environment, leading to a 5,000-10,000 word paper. This proposal should reach the address below by 30 November 1995 with a cover note giving details of address, phone and fax numbers plus university or company affiliation, if any. A shortlist of applicants will then be drawn up and interviewed in February, 1996. The winner will receive half the money on winning the award and the remainder on completion of the paper.

The aim of the award is to encourage young managers, postgraduates and others to think about the wider issues of energy policy. The winner of this year's award, for example, is writing a paper on the growth of independent power in the developing world. The judges do not wish to specify a precise topic, but the subject matter and final essay should be fully comprehensible to a non-scientific or non-technical audience. The winner may be asked to present his or her findings at a BIEE meeting, and the resulting paper may be published in shortened form in the *FT Energy Economist*.

Applications should be sent to: Lucy Plaskett, FT Energy newsletters, Maple House, 149 Tottenham Court Road, London, W1P 9LL. Tel: 0171 896, Fax: 0171 896 2275

Telkom moves to increase domestic interest in IPO

By Manuela Saragosa in Jakarta

Telkom, the state-owned Indonesian domestic telecommunications group to be partially listed in a simultaneous public offering in London, New York and Indonesia within the next month, is offering the Indonesian public one bonus share for every 10 Telkom shares they buy.

The offer is part of a campaign to generate public domestic interest in Telkom's initial public offering – the domestic investor base has traditionally been very small. Analysts said this hampered growth of the Jakarta stock exchange which has ambitions to be the largest in south-east Asia.

The campaign to encourage Indonesians to take part in Telkom's IPO involves a number of measures to make it easier to buy shares. Besides the bonus share offer, which is redeemable after one year, a series of advertisements have been shown on television explaining how Indonesians can buy the shares.

Bank Dagang Nasional Indonesia, one of Indonesia's leading commercial listed banks, and Citibank of the US, are among a number of banks appointed to manage collection points at eight cities throughout the country where Indonesians can apply for shares.

This is the first time the government has pursued a wide domestic marketing campaign in listing a state-owned company.

Last year, Indosat, the satellite telecommunications company which kicked off Indonesia's privatisation programme in earnest, raised over US$1bn in a global IPO but this did not include a campaign to encourage domestic investment.

Telkom started its domestic road show yesterday in Jakarta. It will stop in Surabaya, Bandung, Semarang and Medan before embarking on a global road show.

Golden first day for Lihir

Mr Andrew Vickerman (right) and Mr Ross Garnaut, general manager and chairman respectively of Lihir Gold, were on hand at the Australian Stock Exchange yesterday when the company's shares were listed for the first time, writes Nikki Tait in Sydney.

The first shares changed hands at A$1.87, against the institutional issue price of A$1.57, but the price quickly settled into the A$1.64-A$1.66 trading range.

The exchange extended trading hours for the entire market, until 7pm local time yesterday, to give Asian investors a better opportunity to trade Lihir shares. A regular extension of trading hours is one of the ideas under consideration by the ASX as it attempts to carve out a bigger role in the Asia-Pacific region.

Lihir, which is planning to develop a large new gold mine in Papau New Guinea, raised US$450m through the sale of about half of its equity to a mixture of Papua New Guinean, Australasian, and international investors.

Gold Fields falls 14% in quarter

By Roger Matthews in Johannesburg

Gold Fields of South Africa yesterday reported a 14 per cent fall in after-tax profits at its four gold mining companies during the quarter to the end of September, to R265.2m ($72m), from R307m in the previous quarter. Capital expenditure amounted to R208.87m, against R307m in the three months to end-June.

Gold Fields said there had been no labour disruptions during the quarter, in spite of lengthy wage negotiations, and production had benefited from fewer public holidays. The company said it had discerned "a slight improvement in employee attitudes, although a lot of work remains to be done in this area".

It was encouraged by an increase in the tonnage milled to 3.25m tons, from 3.07m tons, but the yield had declined to 7.8 grams per ton, from 8.1 grams per ton. This left gold production marginally higher at 25,247 kg, from 24,938 kg.

Gold revenue during the third quarter increased to R1.14bn, from R1.13bn, with the price received averaging R45,104 per kg. Working costs were higher, largely due to wage settlements from July 1, and totalled R882.4m, compared with R823.4m. This resulted in unit working costs rising to R34,954 per kg, against R33,019.

Pakistan tests sell-off waters to cure debt disease

Farhan Bokhari looks at proposals to sell a stake in UBL, seen as a precursor for other bank privatisations

Pakistan yesterday set in motion a programme to privatise partially United Bank (UBL), its second largest commercial bank. It is seen as an important step in the state's efforts to rid itself of the remaining troubled public sector banks.

The government is seeking "expressions of interest" by October 22 for the sale of 26 per cent of UBL shares and management transfer to a private buyer.

The move could be followed by offers for Habib Bank (HBL), Pakistan's largest bank, next year, which would only leave National Bank of Pakistan (NBP) under government control, senior officials say.

Many Pakistanis were appalled when the interim government of Mr Moeen Qureshi revealed two years ago that the country's public sector banks had racked up Rs80bn ($2.3bn) in bad debts during the past two decades. UBL and HBL, with combined assets of Rs150bn were together faced with almost Rs35bn in classified debt, a term used to describe bad debts.

The Qureshi government revealed that most of those loans were given to politically influential clients after banks were nationalised in the early 1970s under the government of Mr Zulfiqar Ali Bhutto. Many of those clients never repaid those loans or made interest payments.

In a country with a legal system notorious for corruption and with cases sometimes taking years to progress through the courts, concerns still continue over a slow pace of recovery with more than Rs70bn of the Rs80bn still outstanding.

Some banking officials hope privatisation will give much needed impetus to United and Habib to improve their efficiency and to respond to client demands. Two of the smaller public sector banks, Muslim Commercial Bank and Allied Bank, have shown steady growth in profits and deposits since their privatisations four years ago.

Mr Mohammad Yaqoob, governor of the State Bank of Pakistan, the central bank, said: "We need to create a system that stops the disease, and that system basically can only be created if you privatise the nationalised institutions [public sector banks]."

Mr Yaqoob, has a reputation for being a tough financial disciplinarian, who has led the campaign to improve the banking sector's performance.

But some bankers are sceptical about the government's ability to find buyers for UBL and HBL, largely over concerns about overstaffed branches, union resistance to retrenchments, and the history of bad debts. Mr Nessar Ahmed, president of Cresbank, one of the newest private investment banks, says: "I hardly see a buyer in Pakistan. They are too large and the quality of their assets is not known."

Some other bankers say it is not clear if the new buyers will be asked to take on the bad debts or if the government will settle that issue before management is transferred to the private sector.

COMPANY NEWS: UK

Expectations cut after warning of slowing automotive growth

Lucas Inds recovers to £30m

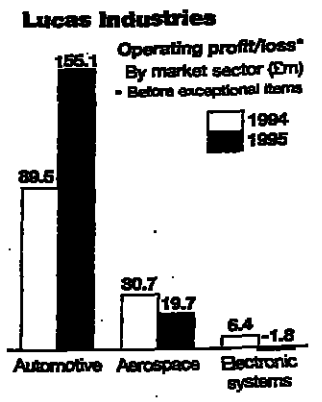
By Paul Cheeseright, Midlands Correspondent

Growth in the Western car and truck markets is likely to slow over the next two years, according to Lucas Industries, the maker of component systems for both the automotive and aerospace industries.

The warning came as the group yesterday reported a return to annual pre-tax profits and signalled its intention 'to raise productivity in its troubled aerospace division, where it announced a change of head.

A slowdown in the vehicle market would reduce profit expectations among UK engineering groups which have achieved higher earnings in the past two years on the back of strong vehicle demand in continental Europe and the US.

"Last year our continuing businesses achieved substantial organic growth. There are indications of flattening demand in the automotive sector in 1995-96 so we anticipate a slower rate of growth in the next two years," said Mr George Simpson, chief executive.



UK car production is expected to reach record levels this year but Lucas noted that it and other component groups had recently faced reduced manufacturing schedules from vehicle makers.

Automotive components made up 75 per cent of Lucas' sales in 1994-95, when the group made pre-tax profits of £30.4m, compared with a loss the previous year of £129.7m.

But its trading figures were overshadowed by provisions against its US aerospace business. As announced last week, Lucas made provisions of £55m to pay fines to the US Defense Department for breaches in testing procedures at its Lucas Western Geared Systems plant and a further £40m to restructure that company.

Lucas said that the US Defence Department had lifted its bar on entering new contracts with the group. But this is conditional on completion of programme of improved management practice at Lucas Western, which reported a trading loss of £21m in the last financial year.

The US difficulties, and a change in the balance of the group's activities towrds automotive operations, are leading Lucas to question the future of its aerospace division. "We will have to look and see if we can support all the activities we are in," said Mr Simpson.

Trevor Humphries

George Simpson: anticipating slower growth in next two years

MR Data to sell software business

By Paul Taylor

MR Data Management, the data transcription and document image processing group, has put its MR-Memex database software business up for sale. Mr Colin Haylock, who took over as chairman and chief executive in June after a profits warning, said it had decided that the software business would "not be a core element of our future strategy".

MR Data is in the middle of a restructuring instituted by Mr Haylock, who replaced Mr Michael Elliott as chief executive. Mr Elliott left in April after a boardroom split.

Mr Haylock said Memex, which is based in East Kilbride and has customers including the US Defense Department and the Metropolitan Police, would be better served by a parent with a stronger international distribution network and a better understanding of the software market.

Two US companies and one other potential buyer had already expressed an interest in Memex, he said, but discussions were at an early stage.

MR Data's results for the year to June 30 bear witness to management turmoil. After larger than expected exceptional charges of £2.84m, pretax profits fell from £6.35m to £1.31m on sales of £41.4m (£40.5m). The exceptionals included provisions for redundancies, and the write-down of assets and property rentals, which should reduce operating expenses by £1.5m to £13.8m.

Carclo $7m acquisition

Carclo Engineering has acquired the US card clothing division of Ashworth Brothers for $6.8m. At June 30, operating assets being acquired had a net book value of about $6.3m and in 1994 achieved sales of $11.8m for operating profits of $1.1m. Carclo's existing card clothing side made operating profits of £2.3m in the year to March 31 1995.

Demand for better black cabs rises

By James Harding

Manganese Bronze Holdings, the London taxi cab manufacturer, more than doubled full-year profits thanks to growing demand for up-to-date vehicles with air-conditioning, passenger intercom and wheelchair access.

In the year to July 31, pretax profits improved to £4.2m ($6.5m), against £2.04m, after exceptional charges of £736,000 (£864,000), on turnover ahead 25 per cent to £86.3m.

Mr Jamie Borwick, chief executive, said profits should continue to grow, even if not at the same pace: "Wheelchair accessible taxis will become mandatory in London within five years which underpins the prospects for this business."

The buoyant UK taxi market drove up taxi division sales, which now makes 52 vehicles per week, up 32 per cent.

The components division improved sales by 28 per cent, reflecting higher raw material prices and growth in the sintering, precision castings and metal powders business.

Tambang Timah worth $636m

Shares in Tambang Timah, the world's biggest tin mining company which is to be floated in London and Jakarta, have been priced at $12.73 each, writes Kenneth Gooding.

This was at the top end of the proposed range and values the state-owned Indonesian group at $636m. The issue was four times over-subscribed.

Some 50m shares, representing 10 per cent of the capital, were offered to Indonesian investors and 160m shares to international investors.

Peptide

Peptide Therapeutics, the Cambridge-based biotechnology company, plans to come to the stock market in a placing by mid-December. The group, which is carrying out clinical trials on treatments for allergy and rheumatoid arthritis, is expected to raise about £15m, £5m below the amount it intimated in July.

Earlier this year, a planned flotation was delayed. The group was then advised by Barings, the merchant bank that collapsed in February.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Colver	6 mths to June 30	27.9	(23)	0.028	(0.35)	0.02	(0.34)	0.13	Nov 14	0.13	-	0.3
Fine Decor	6 mths to July 31	19.5	(18.8)	0.414♠	(1.4)	2.2	(7.3)	nil	-	1	-	4.7
Firecrest Φ	6 mths to June 30 ☆	2.62	(2.67)	0.113	(0.066)	0.45†	(0.46)	-	-	-	-	-
Forward Technology	6 mths to June 30	24.8	(21.7)	0.812	(0.34)	1.9	(0.8)	1	Nov 30	0.5	-	2
Jost	6 mths to June 30 ★	0.779	(0.8)	0.101	(0.001)	0.11	(-)	-	-	-	-	-
Lucas Inds	Yr to July 31	2,796	(2,488)	30.4♠	(130L♠)	3.8L	(22.3L)	4.9	Jan 18	4.9	7	7
Manganese Bronze	Yr to July 31	86.3	(74.6)	4.2♠	(2.04♠)	15.53	(7.58)	3	Dec 12	2.5	5	4
MR-Data Management	Yr to June 30	41.4	(40.5)	1.31♠	(6.35♥)	1.6	(8)	1.5	Nov 17	2.076	3.576	5.536
Tay Homes	Yr to June 30	117.7	(85.1)	7.06	(6.23)	15.9	(15.5)	5.45	Nov 25	5.1	7	6.45
Verson Intl	6 mths to July 31 ★	56	(47.8)	0.268	(2.39L)	0.12	(1.65L)	nil	-	nil	-	nil
Wetherspoon (JD)	Yr to July 31	68.5	(46.6)	9.71	(6.48)	24.6	(18.2)	5.25	Dec 15	4.4	8	6.6

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Martin Currie Pacific	6 mths to Aug 31	149.6	(169.4)	0.33	(0.046)	0.61	(0.12)	-	-	-	-	0.13

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. ♥After exceptional credit. ♠After exceptional charge. ΦAim stock. ☆ Comparatives pro forma. †On increased capital. ★Comparatives restated.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 10.10.95: Pool purchase price £/MWh	Final Prices for Trading on 12.09.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.92	12.81	14.27
0100	8.92	9.14	10.80
0130	8.92	9.14	10.80
0200	8.92	13.07	14.72
0230	8.92	13.07	14.72
0300	8.92	13.07	14.72
0330	8.92	13.07	14.72
0400	8.92	13.07	14.72
0430	8.93	13.07	14.72
0500	8.92	13.07	14.72
0530	8.93	12.86	14.52
0600	8.94	12.86	14.52
0630	9.02	8.97	10.83
0700	16.01	16.46	18.12
0730	16.12	16.05	17.71
0800	17.06	17.39	19.14
0830	35.54	17.73	19.58
0900	35.57	18.82	20.84
0930	20.73	19.39	21.55
1000	20.76	19.76	22.03
1030	20.77	20.15	22.55
1100	20.79	20.60	23.12
1130	20.84	29.08	31.88
1200	20.86	46.92	49.95
1230	20.83	46.55	49.44
1300	20.74	45.32	47.90
1330	17.80	26.77	28.91
1400	17.51	18.71	20.69
1430	17.50	33.96	35.88
1500	17.50	33.86	35.73
1530	17.50	18.39	20.28
1600	17.54	18.92	20.97
1630	18.30	22.49	24.85
1700	19.59	39.58	42.18
1730	19.57	39.10	41.58
1800	19.50	37.82	39.98
1830	9.92	18.09	19.79
1900	24.72	16.82	18.51
1930	38.32	16.86	18.59
2000	38.35	21.11	22.87
2030	18.34	21.15	22.91
2100	18.33	21.06	22.80
2130	16.12	20.86	22.55
2200	16.10	20.81	22.47
2230	16.10	20.79	22.45
2300	16.10	16.40	18.05
2330	16.00	16.46	18.12
2400	9.02	16.03	17.68

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8:30am and 5:15pm Monday to Friday.
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MEMORIAL

COMPANY NEWS: UK

Aran talks to Statoil as Arco raises bid

By Tim Burt

Statoil, the Norwegian state oil company, yesterday said it was contemplating its first takeover of a production and exploration company by joining the bid battle for Aran Energy.

Dublin-based Aran, which rejected an increased offer from Atlantic Richfield Corp of the US yesterday, has been told that Statoil was considering a "full cash offer" as part of its strategy to expand internationally.

The Norwegian group last month became the largest petrol retailer in Ireland by acquiring 257 Jet stations from Conoco and said it was keen to grow further.

Aran said the bid was being "discussed constructively" but added that Statoil was not regarded as a white knight.

Talks between the companies have intensified since they announced a joint venture 10 days ago to exploit its Connemara field off the west coast of Ireland.

Under the agreement, Statoil will receive a 47.5 per cent interest in the Connemara reserves, calculated to be 36m barrels with an estimated worth of $360m. In return, Statoil has agreed to fund the $18.6m programme to appraise the best method to exploit the Connemara field.

Arco accused Aran of using the proposed joint venture to distract shareholders from its takeover offer, which was increased yesterday from 61.4p a share to 69.4p, valuing the group at £182m ($282m). Holders of Aran American Depositary Shares (ADS), equivalent to 30 ordinary shares, would be offered £20.80 in cash.

Although the revised bid was more than £100m below an independent valuation commissioned by Aran, the US group said it would not increase the offer unless Statoil or another bidder joined the process.

The US group warned Aran shareholders, however, that they could receive only 67.3p a share if they approved the joint venture with Statoil, which is being put to an extraordinary meeting on October 23. ADS holders would be offered £20.20.

Mr Terry Dallas, corporate treasurer at Arco, said: "This deal has been thrown together and it is an irritating sideshow."

Mr Michael Whelan, Aran chairman, urged shareholders to reject the Arco offer, saying: "It would be completely inappropriate to accept this bid. It is all stick and no carrot."

Better outlook despite poor start

Jenny Luesby on the textiles and clothing sector hit by weak UK demand

Results season

Round-up

The outlook for textile and clothing manufacturers improved in the first half, as raw material prices began falling, but results were depressed by the time-lag on earlier price rises and weak demand in the UK.

The strongest performances came from companies with subsidiary engineering or electrical goods businesses, or with most of their sales outside the UK.

In Britain, home furnishings continued to be depressed while clothing was hit by the late and extremely hot summer. This saw shoppers delay their summer buying until the discount season, and then, when it got really hot, stay away altogether.

For some producers, the effect of both trends was offset through disposals. Lamont of Northern Ireland gained £4.14m on the sale of its jointly-owned Connswater Shopping Centre, which compensated for a fall of one-third in its operating profits, to £4.22m.

Others, such as Courtaulds Textiles, continued to concentrate on the disposal of loss-making businesses, taking charges in the process. Courtaulds achieved a 17 per cent increase in underlying profit, but a £3.9m charge on disposals saw its pre-tax profit fall by one-third, to £6.4m.

One area of particular strength for Courtaulds, also highlighted by Sherwood, was its European lace business. Other groups also made the most of niche businesses, in car seat belts, badges and even uniforms.

Among these was Dewhirst, which reported a 43 per cent increase in pre-tax profits, to £10.1m.

In this, it was one of only two suppliers to Marks & Spencer, Britain's main buyer of clothing, to report strong results. The other was Claremont Garments, which lifted its pre-tax figure by almost 30 per cent to £6.78m.

For William Baird, another M&S supplier, difficulties in passing on raw material price rises saw profits ease back from £8.81m to £8.4m. However, the group was also hampered by high financing charges following its acquisitions last year.

Manufacturers were also divided by the type of clothing they produced, with suppliers of light innerwear performing better, on average, than the producers of heavier outerwear.

On the sportswear side, Pentland reported strong sales growth, although the profit advance was held back to 5 per cent by supply problems at its Chinese manufacturing sites.

Overall, the static profits at Coats Viyella, the UK's largest textiles producer, reflected the sector's patchy performance.

Coat's precision engineering business delivered strong profits, its global threads business held up well, but both its home furnishings and UK clothing divisions performed poorly.

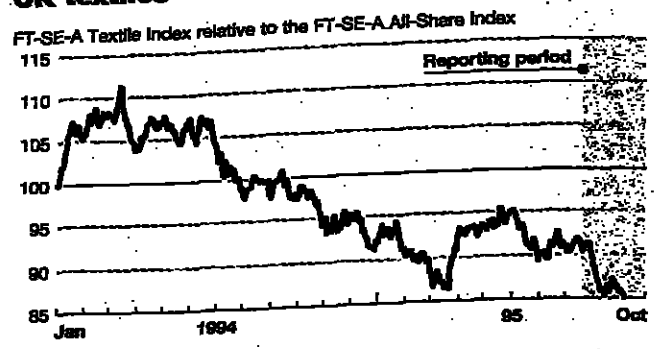
In this climate, Claremont Garments was exceptional in delivering margins of 10 per cent. The average was closer to 5 per cent, and many of the UK's largest producers continue to report margins of just 2 to 3 per cent, despite several years of restructuring.

The peaking of cotton prices in March, and wool and synthetic fibre prices just weeks later, should improve these figures next year, but an early and very cold winter will be needed to bring much buoyancy to 1995's results.

This is the third in the series. Life assurance appeared on October 5 and vehicles engineering on October 6.

UK textiles

FT-SE-A Textile Index relative to the FT-SE-A All-Share Index



Source: FT Extel

Fisons continues to attack RPR strategy

By Motoko Rich

Fisons, the drugs company, is stepping up its efforts to discredit the strategy of its predator, Rhone-Poulenc Rorer, the Franco-US pharmaceuticals group which last week raised its hostile bid from £1.7bn to £1.83bn ($2.83bn).

Fisons is understood to be preparing a rebuttal document against RPR's final offer. It is expected to point out what it believes are inaccuracies in RPR's statement.

Yesterday, Fisons said it had not made an unattributed announcement on the Stock Exchange's news service on Friday. The statement was made by Hoare Govett, the broker to RPR, but printed ambiguously under Fisons' name.

Fisons was concerned that shareholders might assume that it made the statement, concerning trades in about 3 per cent of Fisons stock which apparently never took place on Thursday.

The London Stock Exchange and the Takeover Panel are investigating these trades.

US helps Verson back to black

For the first time in four years, Verson International returned to the black with pre-tax profits of £266,000 ($412,300) for the six months to July 31, compared with losses of £2.4m. Turnover rose 17 per cent mainly because of its US businesses, writes Motoko Rich.

Mr Tim Kelleher, chairman, said that in the half year the group had taken a £1.75m exceptional charge for reorganisation, mainly of its loss-making Belgian press equipment manufacturer.

The group was still considering placing 50 per cent of its US interests on Nasdaq, but was also pursuing alternative financing arrangements, such as joint ventures or disposals.

Fine Decor agrees £21.5m bid from Intl Wallcoverings

By James Harding

International Wallcoverings, the Ontario-based wallpaper producer, has emerged as the bidder for Fine Decor, its UK competitor, with a recommended offer of £21.5m ($33.3m).

The cash bid is 172p a share; the target's shares slipped 7p to 168p yesterday. When Fine Decor announced on September 11 it had received an approach, the shares rose 26p to 152p.

Fine Decor also reported yesterday a fall in interim pre-tax profits to £804,000 (£1.4m), reflecting "reduced margins as a result of higher raw material prices which could not be passed on to our customers".

Analysts said the acquisition was driven by the UK company's need to cut costs and expand sales outside the home furnishings market.

International Wallcoverings was bought by its management from Courtaulds in 1986 and floated in Toronto last year. In 1994 it made pre-tax profits of C$8.1m on sales on C$49.4m.

Mr Colin Beasley, chief executive, said: "A combined group will have significant opportunities to market our products jointly. The consolidation of production facilities should allow us to achieve substantial operational savings."

The larger company should also secure better discounts on raw materials prices.

Mr Harry Morgan, Fine Decor's chief executive, emphasised "the unique fit between the two groups". International Wallcoverings specialises in children's and contemporary designs and has distribution channels in North America while Fine Decor is stronger in traditional and floral patterns with a sales force in the UK and continental Europe.

Fine Decor's directors, who own 23.9 per cent of the share capital, have accepted.

There is a alternative paper offer of 0.2258 shares for each Fine Decor, equivalent to about 175p. The deal will be funded through a combination of C$25.8m special warrants issued in Canada and a C$22m secured loan with NBD Bank Canada.

LAW

Customs charges reserved to EU

EUROPEAN COURT

EU member states are not entitled unilaterally to impose charges having equivalent effect to customs duties, even when the charges arise in the context of trade with non-EU countries, the European Court of Justice ruled last week.

The case was brought by the administrators of Aprile, an Italian company which had been acting as a customs agent at Milan airport.

Aprile had been made to pay certain charges to the Italian administration, which were later declared unlawful under European law. In response, the Italian administration amended its rules, but the amending measures did not apply to situations existing before they came into force. The fees paid by Aprile fell into that category.

After Aprile went into liquidation the administrators brought legal proceedings for repayment of the charges.

The Italian administration argued the claim was unfounded as the imports comprised in part goods from non-EU countries, in particular member countries of the European Free Trade Association with the result that community law did not apply to the claim as a whole. The matter was referred to the ECJ for a preliminary ruling.

The Italian government first argued that the matters raised on the preliminary reference were inadmissible.

The court dismissed that claim. It said it was common ground between the parties that the imports at issue did not comprise exclusively goods from other EU countries. The fact that the national court did not set out an exhaustive account of the factual and legal context in which the preliminary questions were raised, did not make the matters referred to the ECJ inadmissible as it had been established that at least some of the relevant goods which were subject to the customs charges did originate in non-EU countries.

Thus the issue was not hypothetical and the ECJ could interpret the community law in the context of the questions asked of it and it would then be for the national court to determine on the facts the exact origin of the goods concerned and therefore the legal rules applicable to them.

The court then said that the community legislation which had been the basis for finding that the charges were unlawful did not apply to customs formalities in respect of goods from non-EU countries, in particular European Free Trade Association countries.

However, the charges had also been found to be contrary to the general Rome Treaty rules on customs charges. The court was asked to determine whether such findings could also be made with respect to charges made on goods originating outside the EU.

The court considered whether member states were entitled unilaterally to impose such charges in trade with non-EU countries. It said that the EU's customs union incorporated the common customs tariff, the intention of which was to equalise the charges borne at the external frontiers of the EU by non-originating products in order to ensure that trade with non-EU countries was not diverted.

It also said that the common commercial policy implied that national disparities of a fiscal and commercial nature affecting trade with non-EU countries had to be abolished. The customs union and the common commercial policy would be seriously undermined if member states were entitled to impose unilaterally customs charges on imports from non-EU countries.

Turning to agreements between the EU and third countries, the court said the aim of such agreements was to eliminate obstacles to trade. They would be deprived of their effectiveness if the prohibition on customs charges contained in the third-country agreements had a more restricted effect than the same prohibition set out in the Rome Treaty.

C-125/94: Aprile v Amministrazione delle Finanze dello Stato, ECJ 6CH, October 5 1995.

BRICK COURT CHAMBERS
BRUSSELS

INTERNATIONAL PEOPLE

Beecham beefs up research

Jean-Paul Garnier, left, is to become chief operating officer and president of the drugs and consumer healthcare operations of SmithKline Beecham, the UK healthcare company. He moves up from the post of chairman of the company's pharmaceuticals division. Vickery Stoughton, president of the company's clinical laboratories business, becomes president of a newly formed Diagnostics Business. The two, whose divisions account for all of SmithKline's businesses, will report to Jan Leschly, chief executive.

Harry Groome, 58, retires as head of the consumer business after 33 years with the company. He was vice president of marketing and sales for US pharmaceuticals from 1978 until 1985 when he took up his current post. He joined the main board of directors in 1992.

Garnier, 47, joined the company in 1990 as president of its North American pharmaceuticals operations and took his current post last year.

Daniel Green

Sears promotion

Alan Lacy, 41, has stepped into the top financial job at Sears, Roebuck & Co less than a year after he joined the giant US retailer. Lacy joined from Philip Morris Companies, where he had been vice president, financial services and systems. Prior to that he had been senior vice president, finance and strategy at its Kraft General Foods subsidiary. He replaces Russ Davis, 60, who retires next year as chief financial officer.

Foote strides on

Bill Foote has been tapped to take over as chief executive of Chicago's USG Corporation, the world's biggest plasterboard manufacturer. Foote, currently chief operating officer, will succeed Eugene Connolly as chief executive on January 1 1996. Connolly, who has been with the group for 38 years, will hand over the chairmanship to Foote when he retires at the end of March 1996.

Foote will take the helm less than a year after a bitter battle for control of National Gypsum, the second biggest US producer. BPB Industries, a UK company which had close ties with USG, was outbid by a US investment group.

Hunting Blenheim

The departure of John Hunt, left, from his post as vice chairman of corporate finance at BZW, to be the new finance director at Blenheim Group, the exhibitions organiser, seems at first sight somewhat surprising.

On his reasons for moving to a company with a market capitalisation of only £222m, Hunt says that he had spent most of his working life in large organisations and that he now wants "the chance to make a difference."

After qualifying as an accountant with Price Waterhouse in 1972, Hunt, 47, held a number of high-ranking positions in the City, including managing director of Merrill Lynch Capital Markets and director at the then S G Warburg.

He replaces Christopher Crowcroft, who held the post for nearly five years, and who has moved to his family accountancy practice in Southampton. Hunt has the job of repairing Blenheim's reputation in the City; it has taken a battering in recent years after a succession of profit warnings and downgrades by the house broker – which happens to be BZW. *Geoff Dyer*

Saudi Bank move

Saudi International Bank, one of the best-connected banks in London, is getting a new chief. Robert McGinn, 53, a managing director of J P Morgan in New York, takes over as chief executive on November 1 when Peter de Roos, 61, retires.

Saudi International Bank was set up 20 years ago by the Saudi Arabian Monetary Authority, J P Morgan and a number of other commercial banks. Although its capital resources of £225m are relatively small, the bank's strength lies in its powerful shareholders.

ON THE MOVE

■ Jean Jacquemart has been appointed by Citröen commercial director for France; he will replaced as sales director by Pascal Soland.

■ Stuart Campbell, a former chief executive of Lonrho Textiles, has been appointed as chief executive of the retail division of Skellerup Group.

■ Alain Deschamps, 51, becomes vice-president materials, quality and marketing communications for all of Rockwell'sLight Vehicle Systems (LVS) businesses world wide, and LVS regional director, Europe. He joined Rockwell in 1985 from Alsthom-Atlantique, Eaton Co.

■ George MacKenzie has been appointed chief financial officer of Hercules Inc, succeeding Keith Elliott, who becomes president and chief operating officer. MacKenzie joined Hercules in 1979 from Coopers & Lybrand.

■ Peter Douglas, 39, has been appointed group finance director of St James Beach Hotels, with effect from November 1 1995. Until recently he was chief financial officer of The Kessler Group, a private multi-media company. He succeeds Terence Hanton, who is leaving in order to pursue other business opportunities.

■ Jerry Ellis, chief executive of BHP Minerals, has been appointed to the board of the Australia and New Zealand Banking Group.

■ Jay Fishman, 42, has been elected vice chairman of Travelers Insurance Companies. He is currently chief financial officer and retains responsibility for this function.

■ John Siciliano, 41, has been appointed by Dresdner Bank senior vice president and director for western US. Prior to joining Dresdner Bank he was executive vice president and chief financial officer at Technicolour Inc.

■ Rolf-Rudiger Schulz has been appointd by MagneTek Inc as managing director for lighting products in Europe. Schulz was previously general manager, technology and sales, for Vossloh-Schwabe GmbH.

■ Anne Fraser, a member of the board of governors of The Glenbow Alberta Institute, has been appointed to the board of George Weston.

■ Arthur Grimes, National Bank's chief economist has been appointed Southpac Investment Management's chief executive. He takes over from Rob Walker at the beginning of 1996.

■ Brian Clayton, chairman of Citibank Australia, has been promoted manager for operations in north Asia, covering Hong Kong, Taiwan, Korea, the Philipines, Guam and China.

■ James Spillars has been appointed by A C Nielson to the newly created position of senior vice president, global marketing. He joins from British Telecom where he was director of worldwide market development. Steve Schmidt, 41, takes the newly created post of managing director, US. Schmidt joins from Pilsbury Foods where he was president of the company's Canadian operations.

■ Bernhard Auer, general manager of Digital's personal computer business unit, has resigned; Enrico Pesatori, general manager of Digital's computer systems division, will serve as acting general manager of the PC business until a successor is named.

■ Juillette S. Tehrani has been appointed chief financial officer of MBIA and MBIA Insurance Corporation. She joined MBIA's managing agency in 1978 and succeeds Arthur M. Warren who is retiring at the end of the year.

■ Calvin Gauss has resigned as president and chief operating officer of Playtex Products.

■ Robert G. Adams, 57, a former vice president of personnel at Pan Am World Airways, has become Delta Air Lines's vice president- personnel.

■ Richard A. Leupen has joined ICF Kaiser International as chief executive of its Australian subsidiary – Kaiser Engineers and ICF Kaiser's related Australian companies. He will have regional responsibilities in Asia for mineral processing, oil and gas, alumina, iron, steel, nickel, and coal. Prior to joining ICF Kaiser Leupen was managing director and owner of Protech.

International appointments

Please fax announcements of new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

COMMODITIES AND AGRICULTURE

UK farmers 'could survive unaided'

By Alison Maitland

The average UK arable farmer could cover his costs *without* the help of Brussels subsidies, provided world grain prices stay at their current high levels, a survey will show today.

The annual survey by Touche Ross, the chartered accountants, reveals the relative competitiveness of the British arable sector and is likely to fuel the debate on the need for further radical reform of the European Community's common agricultural policy.

Mr Vincent Hedley Lewis, partner in charge of agriculture at Touche Ross, said the sample of 170 farms covering 200,000 acres enjoyed a second profitable year last year thanks to static grain prices and rising area aid payments.

But the costs of production of the bottom 25 per cent of the sample remained well above world prices and only area payments kept them in the black. *That implied* that the rest could "in theory survive" without direct aid payments, said Mr Hedley Lewis, who expected world grain prices to continue rising but warned they could be volatile.

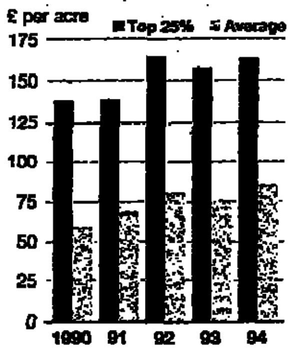
An end to area aid would, however, force a change of attitude by farmers, he said. Area aid amounted to £83 an acre for the average farmer in the sample last year compared with average net farm income of £87. "They would not be able to spend money on new equipment. They would not be able to renovate a lot of their properties. They'd be forced into more worrying things such as going for cheap sprays rather than more environmentally friendly ones."

His own view is that "a massive reform of the CAP is quite unnecessary", although he expects area aid payments to be reduced gradually.

He believes the most efficient arable farmers will then vote with their feet and withdraw from the CAP system, on the grounds that they can make more money using all their land and selling at world prices than receiving area aid and compensation for leaving part of their land idle.

The survey also shows that the top 25 per cent of arable farmers saw net farm income rise by £9 to £166 an acre, much less than the 14 per cent average increase achieved by the sample farms. Touche blames this partly on a significant rise in machinery investment and property repairs and urges farmers to pay closer attention to costs..

UK net farm income

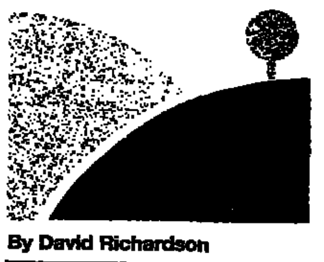


Source: Touche

Picking up the pieces of Polish agriculture

The prospect of EU membership is increasing interest in the country's run-down farms

FARMER'S VIEWPOINT



By David Richardson

The surface of the autobahn was ribbed and the tyres of the car made more noise than is usual in Germany. But the concrete was made nearly 60 years ago to facilitate Adolf Hitler's invasion of Poland. Given the traffic it must have carried over those years its original quality must have been remarkable. The government of unified Germany is, in any case, beginning to improve the road to a standard fit for the ever-increasing number of vehicles travelling to and from the old Eastern bloc.

We were driving due east from Berlin towards the Polish border. As we approached the crossing point we came up behind a queue of cars that clearly stretched for several kilometres. It was a Saturday morning and we had forgotten that this was the favourite day of the week for Germans to visit relatives in Poland; also to buy cigarettes, which are cheaper there than.

Two and a half hours later we crawled into Poland. My patience had been stretched but my travelling companion was jubilant, not only at the size of the queue of cars but also at the 16km of stationary lorries we had passed on another carriageway whose drivers knew they would be there for at least 48 hours. All were heading across the border with goods for the Poles.

With pressure like that, said my friend, the inadequacy of the border arrangements could not survive much longer. And the length of the queues confirmed the amount of trade already going on between eastern and western Europe, in spite of bureaucratic border problems. The comparison between his reaction and mine can perhaps be explained as the difference between an optimist and a pessimist.

My friend was doubtless equally pleased with some of the things the Right Honourable Douglas Hogg, UK minister of agriculture, said when he visited Poland last week. Anticipating the accession of Poland to membership of the EU, the minister spoke of a need to reform the CAP. "It must become more market-orientated, open and liberal" he said. And he suggested major reforms to remove or restrict protectionism would be necessary in order to accommodate 20 or more members.

But it was the acceptance that Poland will soon become a member of the EU that will have pleased my friend most. For it will almost certainly bring about political and financial stability together with the free exchange of currency between the existing EU and those former eastern European countries that join. It will make his farming ambitions that much easier to achieve.

At present he is negotiating to lease two large ex-state farms in Poland and another in the Czech Republic. In total they add up to 5,200 hectares and he is currently seeking investors with risk capital in order to fund the ambitious enterprise. He believes that long-term prospects for profit are considerable and also that he and his advisers, Touche Ross, will have little difficulty in raising the £3m required.

Prime mover in all this was my travelling companion Christoph Graf Grote, now a Norfolk farmer but born in Germany 41 years ago. For the past five years, following a Nuffield Scholarship to study farming in eastern Europe, he has travelled widely across the old eastern bloc advising new democratic governments together with their ex-state farm and co-operative managers how to privatise. Now he believes the time has come to be more deeply involved.

While identifying the three available farms with sufficient production potential in the two countries he has also found enthusiastic nationals in both countries who are anxious to work with him. With his partners in the enterprise he has prepared a business plan. All he needs now is the capital to realise his dream of farming in eastern Europe, which he is confident is shared by many other farmers who may have cash to invest but who lack his knowledge and experience.

Christoph Graf Grote has a track record. With partners he has recently set up a successful farming enterprise in the old eastern Germany. He worked for many years with a large farming and horticultural business in Cambridgeshire. He has managed farms in Norfolk for several years and is becoming known as a "mover and shaker".

He will need all his skills to move and shake into shape the farm he showed me in western Poland. Like most in the eastern bloc it has been starved of capital for many years. The yard is full of clapped out machinery; old fashioned and unsanitary sheds are full of dairy cows that do not look capable of economic yields; and most of the 70-strong labour force could play no part in any profitable future for the farm.

But the fields are large and the land, which lies in the bend of a river and is therefore alluvial and deep, looks potentially very productive.

Clearly there are many problems to overcome. But given adequate investment and good management Christoph Graf Grotes is confident he can increase yields of both crops and milk to profitable levels within a couple of years. Looking further ahead, he hopes that these three eastern European farms can become the springboard for a much bigger farming and food involvement for his company in the region. He may well be right. But I hope for his sake as he travels back and forth between his profit centres that the Polish border authorities get their act together soon.

Central banks 'moving gold out of Fed to clear way for swaps'

By Kenneth Gooding, Mining Correspondent

Central bank gold is being withdrawn at a rapid pace from the Federal Reserve Bank of New York. Some 31.7m ounces (14.383 tonnes), or 10 per cent of the total, was taken out between the end of March 1992 and the same date this year, according to an analysis by the CPM Group, a New York based consultancy.

CPM explains that by no means all of the gold is being *sold. Most of it remains the* property of central banks but it is being transferred to the Bank of England or other locations.

The reason is that the New York Fed does not accept private sector deposits, only deposits from government entities. In contrast, the Bank of England will accept deposits of gold from investment and commercial banks and other private sector organisations.

CPM points out in its latest gold newsletter that, if a central bank wishes to use its gold in a swap or options programme in which the ownership of the metal changes hands to its commercial counterparty, the gold must be transferred out of the New York Fed if it is stored there, "a costly and bothersome procedure. If it is at the Bank of England the transaction entails only some paper work".

And central banks are putting increasing emphasis on swaps, instead of lending out their gold, because of credit concerns, says CPM. Central banks have a large exposure to private lenders with gold loans while a swap is fully covered by collateral.

With a gold loan, the loaned gold remains owned by the central bank and could stay in the New York Fed. In a swap, the ownership changes from the central bank to the private sector counterparty for the duration of the transaction. So the swapped gold may not be held in the New York Fed.

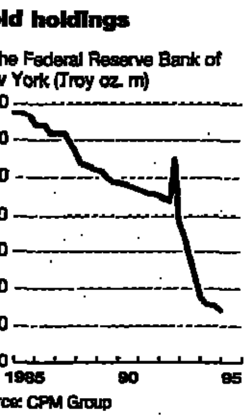
These New York Fed rules also encourage central banks *to remove gold from* that bank, rather than the Bank of England or elsewhere, when they sell the metal – and they have sold 40.3m ounces (18,285 tonnes) since 1991.

CPM suggests the process could be reversed if the New York Fed's management would allow private depositors to hold gold in the Fed, and some private sector bankers are encouraging the Fed to make this change.

Precious Metals – Gold: quarterly, US$2,000 a year from CPM, 71 Broadway, Suite 305, New York, NY 1006, US.

Gold holdings

At the Federal Reserve Bank of New York (Troy oz. m)



Source: CPM Group

Pakistani cotton prices fall after export ban

By Farhan Bokhari

Pakistan's domestic cotton prices yesterday recorded a fall of almost 3 per cent, one day after the government effectively banned exports to help the country's textile sector. Big losses in the country's cotton crop in the past three years have led to a general rise in prices, which in turn has hit textile manufacturers' profitability and brought many factories near to closure.

Prices of raw cotton in Karachi, the country's largest market, closed at Rs1,800 (US$56.80) a maund (37.32kg) down from Rs1,850 when trading began. Some dealers predicted a further fall of more than 5 per cent by the end of this week.

The latest prices are almost 25 per cent down from the Rs2,450 a maund reached earlier this year. They have consistently fallen since the summer, when some forecasts for this year's crop (1995-96) suggested that it might rise to 10m bales, compared with this year's target of 9.5m bales.

It was unclear, however, if the reduction in cotton prices would affect prices on the international markets. Some analysts were still uncertain whether the projections for higher cotton yields this year would be borne out by the final results as systems to monitor crop positions in fields across the cotton belt are weak and unreliable.

MARKET REPORT

Late selling hits coffee futures

COFFEE futures prices plunged at the London Metal Exchange yesterday as the New York market extended Friday's sell-off. The January position fell below support at $2,200 a tonne to a low of $2,175 before bouncing to close at $2,196, for a loss on the day of $67. "After Friday's close in New York everyone was looking for a reason to sell. . . The market was almost shrugging off the Brazil news [that the third quarter export quota had been exceeded] and then used it as an excuse to sell," a broker said.

At the London Metal Exchange ALUMINIUM prices beat a hasty retreat in after hours "kerb" trading.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1732-33	1766-67
Previous	1742-43	1774-75
High/low	1742/1740.5	1788/1744
AM Official	1740.5-41.0	1775.5-76.0
Kerb close		1746-48
Open int.	205,884	
Total daily turnover	50,740	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1490-500	1535-40
Previous	1505-15	1550-51
High/low		1550/1540
AM Official	1500-10	1545-50
Kerb close		1530-40
Open int.	3,181	
Total daily turnover	878	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	594-95	606-6.5
Previous	593-94	605.5-6.0
High/low		606.5/604
AM Official	593-93.5	606-607
Kerb close		605-6
Open int.	33,261	
Total daily turnover	4,782	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7845-55	7970-80
Previous	7920-30	8040-45
High/low	7870/7860	8025/7940
AM Official	7855-60	7975-80
Kerb close		7940-50
Open int.	45,243	
Total daily turnover	8,593	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6225-35	6265-75
Previous	6235-45	6270-75
High/low		6270/6230
AM Official	6205-15	6245-50
Kerb close		6220-30
Open int.	19,826	
Total daily turnover	4,146	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	994.5-95.5	1016-19
Previous	994-95	1017-18
High/low		1019/1015
AM Official	994-95	1018.5-19.5
Kerb close		1018-9
Open int.	77,787	
Total daily turnover	24,306	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2927-30	2803-4
Previous	2839-43	2810-12
High/low	2821	2803/2790
AM Official	2820.5-21.0	2794-95
Kerb close		2790-1
Open int.	185,559	
Total daily turnover	43,994	

■ LME AM Official £/$ rate: 1.5841

LME Closing £/$ rate: 1.5873

Spot:1.5854 3 mths:1.5822 6 mths:1.5787 9 mths:1.5755

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	low	Open int	Vol
Oct	128.55	-0.55	129.50	128.30	1,309	123
Nov	127.80	-0.50	128.20	127.80	1,188	21
Dec	126.70	-0.80	128.25	126.50	18,520	6,969
Jan	125.80	-0.70	126.50	125.80	568	6
Feb	124.75	-0.80	-	-	414	13
Mar	123.85	-0.50	125.20	123.80	4,617	817
Total					32,637	8,063

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	384.30-384.70		
Opening	384.50-384.90	242.789	437.347
Morning fix	384.65	242.403	436.330
Afternoon fix	384.50		
Day's High	385.10-385.50		
Day's Low	384.10-384.50		
Previous close	382.90-383.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.00	6 months	3.95
2 months	4.00	12 months	3.95
3 months	3.95		

Silver Fix	p/troy oz.	US cts equiv.
Spot	343.25	544.25
3 months	348.30	547.85
6 months	350.25	552.95
1 year	358.65	563.60

Gold Coins	$ price	£ equiv.
Krugerrand	384-387	242-244
Maple Leaf	395.60-398.10	
New Sovereign	89-91	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	385.5	+1.7	385.5	384.6	883	6
Dec	387.8	+1.7	389.0	386.2	102,392	15,473
Feb	390.1	+1.7	390.3	389.3	22,415	455
Apr	392.6	+1.7	392.8	392.2	9,639	50
Jun	395.3	+1.7	394.9	394.5	13,052	4
Aug	397.9	+1.7	-	-	1,795	1
Total					182,587	15,994

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	418.9	+5.4	416.0	416.0	829	53
Jan	417.9	+5.4	416.0	415.5	21,656	2,692
Apr	418.3	+5.8	417.0	416.2	1,816	234
Jul	419.3	+5.8	-	-	1,385	8
Oct	419.3	+5.8	417.0	417.0	31	-
Total					25,517	2,987

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Dec	139.75	+2.75	140.50	139.25	5,278	146
Mar	141.00	+2.75	140.75	140.75	775	105
Jun	142.25	+2.75	142.00	142.00	55	50
Total					6,108	301

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Oct	540.6	+7.9	-	-	13	8
Dec	545.0	+7.8	545.5	538.0	58,713	10,553
Jan	546.7	+7.8	544.0	544.0	24	-
Mar	550.9	+7.8	552.0	546.0	11,419	764
May	554.9	+7.8	555.0	552.5	6,448	5
Jul	558.6	+7.8	-	-	6,411	3
Total					86,746	11,341

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	17.20	+0.17	17.23	17.04	82,501	31,794
Dec	16.94	+0.15	16.98	16.81	71,239	23,672
Jan	16.84	+0.13	16.85	16.74	41,494	9,522
Feb	16.82	+0.12	16.84	16.73	19,870	7,393
Mar	16.77	+0.07	16.77	16.76	17,630	5,651
Apr	16.83	+0.13	16.83	16.83	11,888	4,057
Total					338,849	90,741

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	15.93	+0.17	15.94	15.77	39,357	32,706
Dec	15.76	+0.16	15.79	15.64	52,365	25,176
Jan	15.68	+0.17	15.69	15.57	24,288	8,922
Feb	15.62	+0.13	15.62	15.54	9,852	2,321
Mar	15.58	+0.11	15.58	15.52	6,061	771
Apr	15.44	-	-	-	2,971	64
Total					148,587	69,960

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	48.50	+0.29	48.70	48.20	40,624	10,759
Dec	49.15	+0.31	49.30	48.75	41,083	5,989
Jan	49.80	+0.31	49.75	49.20	32,807	2,961
Feb	49.60	+0.51	49.60	49.30	15,376	1,549
Mar	48.50	+0.41	48.50	48.50	6,255	527
Apr	47.45	+0.41	47.45	47.45	3,590	196
Total					155,955	23,192

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	148.75	+0.50	147.25	146.50	14,402	4,362
Nov	148.00	+0.50	148.50	147.50	29,326	5,487
Jan	148.75	+0.50	148.00	148.00	23,444	1,410
Feb	149.00	+0.50	148.25	148.25	20,424	1,040
Mar	148.00	+0.75	149.00	147.75	4,061	660
Apr	148.00	+0.75	148.25	147.25	3,601	85
Total					103,492	13,897

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	1.820	+0.018	1.840	1.815	23,342	9,770
Dec	1.928	+0.011	1.950	1.920	24,438	4,471
Jan	1.955	+0.004	1.970	1.953	21,478	2,517
Feb	1.885	+0.004	1.900	1.880	11,320	556
Mar	1.820	+0.014	1.820	1.810	6,940	835
Apr	1.730	-0.001	1.730	1.730	5,270	400
Total					132,872	22,374

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	49.95	+0.80	50.00	49.20	26,469	13,313
Dec	48.95	+0.42	49.00	48.60	15,771	6,369
Jan	48.95	+0.32	48.85	48.85	6,942	1,085
Feb	49.40	+0.37	49.40	49.10	2,967	1,063
Mar	49.80	+0.42	-	-	1,625	572
Apr	52.55	+0.47	-	-	3,014	549
Total					59,960	23,716

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	114.95	+0.25	114.95	114.70	2,163	75
Jan	117.70	+0.25	117.60	117.25	1,770	60
Mar	119.80	+0.25	119.80	119.10	1,239	37
May	121.55	+0.25	121.55	121.30	2,010	2
Jul	123.00	+0.10	123.00	122.75	74	10
Sep	106.00	-	-	-	6	-
Total					7,263	184

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	481¾	+6¾	482½	472½	60,431	12,343
Mar	489¾	+5	490½	482½	25,005	4,063
May	460	+5	461	453	2,716	245
Jul	412¼	+4½	412½	406½	8,707	774
Sep	414	+2½	414½	411	190	25
Dec	424¾	+1¾	425½	422½	202	3
Total					97,252	17,483

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	313/2	+2/4	313/4	309/4	237,194	29,903
Mar	319/4	+2/0	319/6	316/2	132,786	9,866
May	321/6	+1/2	321/6	319/2	21,771	1,378
Jul	320/6	+1/2	321/0	318/2	39,479	2,769
Sep	293/4	-0/2	293/4	292/6	4,502	435
Dec	276/2	-0/2	276/4	275/0	16,250	957
Total					462,380	45,353

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	107.45	-0.05	107.50	107.45	695	5
Jan	110.45	-0.15	-	-	695	-
Mar	112.60	+0.05	-	-	539	-
May	114.80	-0.15	-	-	157	-
Total					2,086	5

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	642/6	+2/2	644/2	637/4	82,201	24,081
Jan	653/2	+2/4	655/0	648/2	32,430	5,882
Mar	662/2	+2/4	664/0	657/4	15,299	1,861
May	668/4	+1/6	670/4	664/0	7,191	776
Jul	673/4	+2/2	675/0	669/0	7,991	661
Aug	670/4	+2/0	670/4	667/0	108	28
Total					155,984	33,745

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	27.03	+0.07	27.04	26.85	2,590	1,869
Dec	27.11	+0.05	27.14	26.92	40,264	10,413
Jan	27.16	+0.04	27.18	27.02	10,090	1,855
Mar	27.24	+0.07	27.26	27.08	10,051	872
May	27.30	+0.05	27.31	27.13	5,267	209
Jul	27.33	+0.06	27.35	27.20	3,261	171
Total					72,432	15,442

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	191.8	+0.8	191.9	190.4	3,075	1,906
Dec	194.4	+0.8	194.6	192.8	47,108	9,328
Jan	195.5	+0.6	195.6	194.3	11,485	1,602
Mar	196.9	+0.6	197.1	195.8	8,419	786
May	197.5	+0.4	198.0	196.5	5,165	324
Jul	199.8	+0.4	200.0	198.8	3,381	291
Total					79,980	14,385

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	200.0	-	-	-	3	-
Mar	260.0	-	-	-	-	-
Apr	281.5	-0.5	285.0	280.0	1,266	81
May	327.5	-	-	-	6	-
Jun	360.5	-	-	-	-	-
Total					1,275	81

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	1716	-39	1720	1700	635	27
Nov	1680	-55	1695	1680	802	141
Dec	1675	-45	1675	1645	71	14
Jan	1645	-40	1660	1620	1,112	131
Apr	1630	-20	1630	1600	669	23
Jul	1450	-40	1475	1450	171	22
Total					3,362	358

	Close	Prev
BFI	1809	1826

Tea

There was landed strong demand reports the *Tea Broker's Association*. Selected top quality assams met useful competition and often advanced selling between 160p/kg and 235p/kg. Good liquoring teas appreciated 3/5 pence and coloury mediums were also several pence dearer. Brightest East Africans sold very well and prices shoed further substantial gains particularly for pd's. Better mediums were fully firm to dearer while others were about steady. Offshore good demand at dearer rates quotations: best available; 260p/kg, good; 150p/kg, good medium; 124p/kg, medium 88p/kg, low medium 74p/kg. Highest price realised this week was 260p/kg for a burundi.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	893	-1	894	888	26,556	1,525
Mar	922	-2	923	918	31,332	4,535
May	939	-4	940	937	14,582	203
Jul	957	-4	957	956	4,153	88
Sep	974	-3	975	970	16,057	3,321
Dec	993	-2	992	989	5,783	40
Total					104,368	9,790

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1270	+3	1278	1266	29,519	3,181
Mar	1305	+4	1307	1299	19,908	2,018
May	1326	+4	1325	1322	8,167	84
Jul	1349	+4	-	-	3,532	103
Sep	1370	+4	1370	1370	5,857	5
Dec	1400	+4	1405	1404	5,899	11
Total					72,882	5,402

■ COCOA (ICCO) (SDR's/tonne)

Oct 6	Price	Prev. day
Daily	916.26	921.57

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	2294	-69	2310	2275	11,727	2,140
Jan	2198	-64	2210	2175	8,106	1,720
Mar	2133	-74	2150	2112	3,753	635
May	2081	-67	2080	2068	2,190	380
Jul	2043	-67	2045	2033	237	139
Sep	2013	-62	2005	2005	96	4
Total					26,109	4,998

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	114.05	-4.05	118.25	113.50	17,401	7,504
Mar	111.45	-3.90	115.50	111.10	8,869	1,611
May	111.00	-3.85	115.25	111.00	2,386	164
Jul	111.75	-3.85	112.00	111.00	385	20
Sep	110.50	-5.25	112.50	112.00	272	1
Dec	112.00	-3.75	112.00	112.00	58	-
Total					29,386	9,300

■ COFFEE (ICO) (US cents/pound)

Oct 6	Price	Prev. day
Comp. daily	116.79	120.72
15 day average	118.53	118.96

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	13.25	-	-	-	-	-
Jan	10.98	-	-	-	-	-
Mar	11.95	-	-	-	-	-
May	11.95	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	338.8	+2.7	338.5	337.0	9,965	145
Mar	320.8	+2.5	321.5	318.9	11,071	229
May	317.0	+2.2	317.8	315.0	3,034	245
Aug	314.3	+2.0	315.2	312.5	1,638	109
Oct	288.8	+2.3	289.7	287.0	1,893	44
Dec	286.5	+2.0	-	-	640	-
Total					28,367	772

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	10.53	+0.06	10.56	10.43	59,840	7,009
May	10.51	+0.07	10.52	10.42	18,097	1,281
Jul	10.47	+0.06	10.47	10.41	12,375	657
Oct	10.42	+0.04	10.44	10.37	13,181	393
Mar	10.40	+0.07	10.33	10.33	5,571	133
Total					109,064	9,473

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	88.64	-1.66	90.30	87.00	413	248
Dec	86.14	+2.24	86.30	85.50	31,650	8,814
Mar	86.87	+2.26	88.95	86.40	15,579	2,024
May	89.38	+1.68	89.38	87.30	6,974	379
Jul	88.45	+1.78	89.50	87.67	5,245	570
Oct	80.10	+0.30	80.00	79.20	1,310	11
Total					67,848	12,364

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	116.90	+5.10	118.00	113.20	10,667	1,248
Jan	118.00	+4.15	118.75	114.50	8,104	889
Mar	120.00	+3.55	120.00	117.25	1,867	138
May	121.75	+3.30	121.25	120.00	1,156	3
Jul	123.45	+2.95	122.25	122.00	431	21
Sep	125.00	+3.25	125.50	124.00	279	1
Total					N/A	N/A

VOLUME DATA

Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 9	Oct 6	month ago	year ago
2081.6	2084.6	2149.5	2061.0

■ CRB Futures (Base: 1967=100)

Oct 6	Oct 5	month ago	year ago
238.50	239.32	239.88	-

■ GSCI Spot (Base: 1970=100)

Oct 6	Oct 5	month ago	year ago
179.44	178.21	181.76	170.81

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	64.625	+0.150	64.700	64.200	10,675	2,102
Dec	66.850	+0.075	66.900	66.325	25,967	3,262
Feb	66.075	+0.025	66.175	65.750	13,421	966
Apr	66.250	-0.025	66.325	66.175	7,411	217
Jun	62.375	+0.025	62.450	62.275	2,664	211
Aug	61.175	+0.025	61.175	-	955	34
Total					61,287	6,859

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	46.175	-0.275	46.350	45.600	6,836	2,283
Dec	46.000	-0.350	46.275	45.650	12,967	2,155
Feb	47.950	-0.300	48.200	47.725	6,995	552
Apr	47.350	-0.200	47.375	47.025	2,138	140
Jun	51.700	-0.150	51.700	51.325	2,539	52
Aug	49.850	-0.050	49.900	49.750	1,114	108
Total					33,226	5,309

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	58.475	+0.225	58.750	57.450	5,574	1,812
Mar	58.550	+0.125	58.600	57.525	465	91
May	59.000	+0.100	59.400	58.550	101	14
Jul	60.400	-0.400	60.550	59.500	447	19
Aug	58.000	-1.250	-	58.000	35	7
Total					6,622	1,936

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1700	88	133	48	72
1800	63	106	72	95
1900	43	84	102	123
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2750	148	141	44	77
2850	90	92	85	126
2950	50	57	144	188
■ COFFEE LCE	Nov	Jan	Nov	Jan
2050	245	230	1	81
2100	198	200	4	101
2150	153	173	9	124
■ COCOA LCE	Dec	Mar	Dec	Mar
875	38	73	20	26
900	25	59	32	37
925	16	46	48	49
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1550	40	38	5	26
1600	9	26	18	53
1650	7	11	59	85

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov)

		+or-
Dubai	$14.56-4.66w	+0.255
Brent Blend (dated)	$16.00-6.02	+0.15
Brent Blend (Nov)	$15.91-5.93	+0.215
W.T.I. (1pm est)	$17.25-7.27w	+0.25

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$172-173	+1
Gas Oil	$148-149	
Heavy Fuel Oil	$83-85	
Naphtha	$151-153	
Jet fuel	$176-178	+1
Diesel	$152-153	+1

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

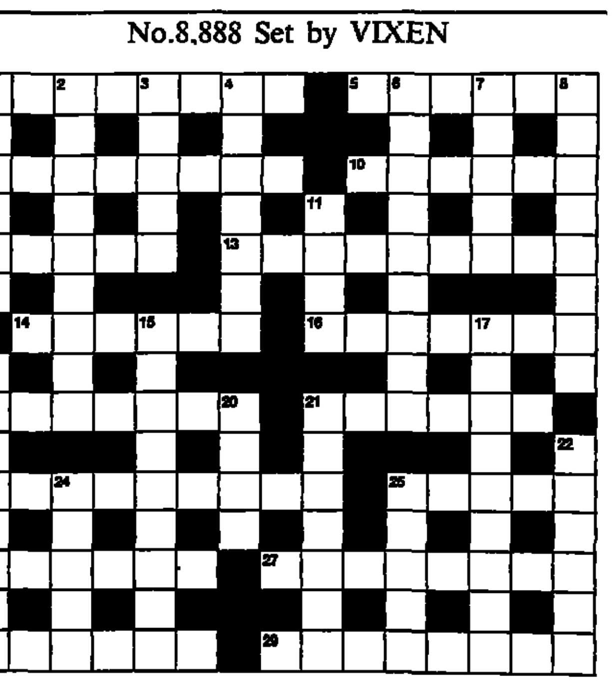
Gold (per troy oz)♣	$384.50	+1.40
Silver (per troy oz)♣	541.5c	+7.0
Platinum (per troy oz.)	$416.25	+4.00
Palladium (per troy oz.)	$136.50	+3.75
Copper (US prod.)	Unq.	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.59m	-0.03
Tin (New York)	296.5c	-2.0
Cattle (live weight)†	126.86p	-1.15*
Sheep (live weight)†♠	101.59p	-0.51*
Pigs (live weight)†	98.94p	+1.60*
Lon. day sugar (raw)	$295.2	+0.5
Lon. day sugar (wte)	$380.5	+4.9
Barley (Eng. feed)	£114.50x	
Maize (US No3 Yellow)	£104.0w	
Wheat (US Dark North)	Unq.	
Rubber (Nov)♥	90.75p	+0.75
Rubber (Dec)♥	90.75p	+0.75
Rubber (KL RSS No1)	345.5m	-1.0
Coconut Oil (Phil)§	$725.0u	+5.0
Palm Oil (Malay.)§	$635.0z	+5.0
Copra (Phil)§	467.0y	
Soyabeans (US)	184.0u	•
Cotton Outlook'A' index	92.10c	-2.45
Wooltops (64s Super)	465p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Oct. u Nov/Dec.♥ w Nov. y Oct/Nov. x Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

No.8,888 Set by VIXEN



ACROSS

1 Judge musical entertainment with some hesitation (8)
5 An old carriage, sound, well-constructed (6)
9 It's a fruit, that's official (8)
10 Admit to trick (4,2)
12 Sarcasm is a bit unfair on youngsters (5)
13 An oriental always gets around a 7 (9)
14 A horse which *has the lot!* (6)
16 To search a bag is in order (7)
19 Feel some concern about a large number in the red (7)
21 Planes rough boards (6)
23 Substitute being anything but blunt (9)
25 Reserved, though liberated (5)
26 Assert sit-ins are wrong (6)
27 Honour of French business house to value (8)
28 "He sobbed and he sighed, and a — he gave" (Gilbert) (6)
29 The way liberty-takers appear most flagrant (8)

DOWN

1 Certain soldiers and chief are to stay behind (6)
2 He won't challenge cheat first (9)
3 Prepared about day-break (5)
4 Plain note: few make an impression (7)
6 Old Greek man possibly holding game over (9)
7 A high-minded individual English sailors find very hard (5)
8 Guy the navigator's plant (8)
11 The person working for same good cause regularly (4)
15 Cooking ruins veal in general (9)
17 Compose article long overdue about vile accommodation (9)
18 Make a song about men rowing, so driving a point home (8)
20 Correct for the current rise (4)
21 To show this is a real give-away (7)
22 Coming far the opening following sales-pitch (6)
24 The attitudiniser's baffling question (5)
25 A quarter travel by river (5)

Solution to Saturday's prize puzzle on Saturday October 21.
Solution to yesterday's prize puzzle on Monday October 23.

Focus shifts to forthcoming deals

By Conner Middelmann and Antonia Sharpe

The US Columbus Day holiday kept eurobond activity at a low ebb yesterday, and dealers were focusing on forthcoming deals, notably a planned global offering for the Asian Development Bank.

INTERNATIONAL BONDS

The ADB is currently conducting an extensive round of roadshows which took it to Asia and North America last week and has now brought it to Europe.

The issue, to be jointly led by Daiwa Europe and Morgan Stanley, is expected to be similar to its first global offering, $750m of 10-year bonds, last year. It could launch its long-awaited offering as early as this week but dealers said it was more likely to surface next week. Spread talk is in the region of 24 to 25 basis points over US Treasuries.

Sepi, the new Spanish industrial holding company which has inherited the debt of its predecessor Ini, plans to raise $500m through an issue of five-year eurobonds next month.

Mr Hector Lopez, Sepi's chief financial officer, said the bonds would be launched under its $2bn MTN programme, of which $1.1bn has already been used. Merrill Lynch is expected to arrange the offering for which Sepi will not want to pay more than 20 basis points over Libor on a swapped basis.

The Greek state electricity utility PPC is expected to tap the eurobond market next week with a $150m offering of five-year eurobonds. Pricing of the bonds, via SBC Warburg, will be set by the spread on outstanding dollar bonds issued by Greece. Its global bonds due 1999 were trading at about 130 basis points over US Treasuries yesterday.

Finally, Abbey National is rumoured to be considering a $500m to $750m issue of 10-year subordinated bonds, either in the eurobond or the Yankee bond market.

The D-Mark sector saw two self-led bank issues with three-year maturities yesterday: DM300m of 5 per cent bonds for Bayerische Vereinsbank Overseas Finance priced to yield 20 basis points over government bonds, and DM200m of 5.25 per cent bonds for Merrill Lynch, yielding 50 basis points over bunds.

The bonds were largely targeted at retail investors keen on buying securities that mature before 1999, the year European Monetary Union is to be implemented.

The European Investment Bank issued A$100m of retail-targeted three-year bonds – its first eurobond issue in Australian dollars, according to lead manager Hambros Bank. Yielding 20 basis points through Australian government bonds, the issue was deemed tightly priced, but the lead manager reported a good response from investors in Italy, Germany, Belgium and Luxembourg.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
D-MARKS							
Bayer. Vereinsbank O'seas(f)	300	5.00	100.1575R	Dec.1998	0.1875R	+20(5%-98)	Bayerische Vereinsbank
Merrill Lynch & Co.(f)	200	5.25	100.00R	Dec.1998	0.225R	+50(5%-98)	Merrill Lynch Bank
City of Montreal★	70	6.50	100.125	Nov.2001	0.275	-	Merrill Lynch Bank
YEN							
World Bank(a)★	10bn	3.00	100.325	Dec.2005	0.325	-	Bank of Tokyo Capl.Mkts.
STERLING							
Southern Investments UK‡	627.07	(b)	100.00	Oct.2000	0.10	-	SBC Warburg
LUXEMBOURG FRANCS							
DSL Finance(l)	2bn	6.875	102.65	Dec.2003	2.00	-	Kredietbank Luxembourg
AUSTRALIAN DOLLARS							
European Investment Bank	100	7.00	100.11	Nov.1998	1.50	-	Hambros Bank
CZECH KORUNA							
Nordic Investment Bank	1.5bn	10.625	100.10R	Nov.2000	0.50R	-	Bayerische Vereinsbank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Y5bn payable on 22/12/95 and Y5bn on 22/3/96 if not called. Callable on 22/3/96 at par. b) 1-mth Libor +100bp to Apr.98 and 3-mth Libor +100bp thereafter. l) Long 1st coupon.

Amsterdam SE plans merger with EOE

By Antonia Sharpe

The Amsterdam Stock Exchange is to ask its members to approve a restructuring which could lead to a merger with the Amsterdam-based European Options Exchange (EOE).

The restructuring, which would include transferring the exchange's activities to a new joint-stock company, is part of a sweeping modernisation of the bourse over the last two years aimed at strengthening Amsterdam's position as an international financial centre at a time of increasing competition between the capital markets of Europe.

The latest step, which members will be asked to approve in December, will see the transfer of the exchange's activities to a new company called AEB which will be capitalised with shareholders' equity of Fl 30m. Another company, called CSD, with capital of Fl 15m, will act as the central clearing, settlement and depositary institution.

The shares of AEB and CSD will be held by a new holding company, Amsterdamse Beursholding (ABH), which will have the main say on rules governing trading and listed securities, and will decide on listing applications.

Half of ABH's capital will be held by members of the Amsterdam Stock Exchange Association, 25 per cent by listed companies and the rest by institutional investors.

For the first five years, only existing shareholders will be able to trade the shares, during which period they will receive a dividend of 4 per cent on the capital invested.

After five years, the trading restriction will be lifted but no shareholder will be allowed to build up an interest of more than 20 per cent.

Czech koruna broadens eurobond currency base

By Conner Middelmann

The Czech koruna is the latest newcomer to the growing range of currencies in which borrowers can tap the eurobond market, and observers say other eastern European currencies could lure borrowers in the coming months.

General Electric Credit Corporation last Friday inaugurated the Czech koruna sector with a Kc2bn ($76m) issue of 10.5 per cent three-year bonds via Merrill Lynch.

That issue was followed yesterday by Kc1.5bn of 10.625 per cent five-year bonds for the Nordic Investment Bank, via Bayerische Vereinsbank.

Both issues, which can be settled through Euroclear, are targeted largely at continental European retail investors keen on juicy yields and not particularly worried about currency risk, but also at institutional investors, some of whom are already involved in the domestic Czech bond market.

"Expectations of currency stability, as well as prospects for declining interest rates there, indicate that now is a good time to lock in high rates on triple-A rated paper," said a trader involved in the NIB deal.

From 1991 the Czech koruna has been pegged to a basket of currencies; since 1993 the basket has been 35 per cent US dollars and 65 per cent D-Marks.

On September 26, the Czech parliament passed a foreign exchange law enshrining full convertibility for current account transactions and significantly liberalising capital account transactions. This is likely to pave the way for OECD membership, which is expected to be announced by year-end.

"The convertibility of the currency has opened the eurobond market, and other issuers are now looking at this sector," said another trader.

Merrill Lynch, the US investment bank which has long been an active player in the domestic Czech market, is one of the entities rumoured to be planning a euro-koruna issue, as are some supranational borrowers, such as the European Investment Bank and the European Bank for Reconstruction and Development.

Among possible candidates for future euro-koruna issues are foreign companies seeking to fund their operations in the Czech Republic more cheaply than they can in the local banking system, says Mr Rupert Harrison, syndicate manager at Citibank.

Alternatively, he says, issuers with no natural need for koruna could swap it into other currencies to obtain funds at advantageous rates.

Indeed, this is what attracted the NIB to the sector. "We tapped the market mainly for arbitrage reasons," says Mr Jan Lund Sorensen, the bank's funding officer, who declined to say how the proceeds were swapped.

"The NIB has always had an opportunistic way of approaching capital markets – it has moved very quickly into new markets which offer attractive funding." Moreover, issuing bonds in koruna has allowed the bank to diversify its funding base, he says.

However, dealers warn that the koruna swap market is quite illiquid and could limit arbitrage-driven deals. "You have to work very hard to bring counterparties together," says Mr Harrison at Citibank.

Other convertible currencies in the region, such as the Estonian kroon or the Latvian lat, are now being eyed as potential eurobond currencies and some foreign entities have already tapped these countries' domestic markets in unswapped transactions.

Finnish bank Postipankki and the NIB recently issued Estonian kroon bonds, and McDonalds Polska, the Polish subsidiary of the US fast-food chain, has just issued 14m zlotys of three-year bonds.

European sector weakens in thin trading

By Antonia Sharpe and Conner Middelmann

Most European government bond markets weakened yesterday but trading was thin due to the Columbus Day holiday in the US.

The French government bond market remained the centre of attention following the Bank of France's decision to raise the 24-hour lending rate to 7.25 per cent from 6.15 per cent in order to defend the franc against speculative selling.

The lending rate increase did not come as a surprise since it followed hard on the heels of Friday's suspension of the five-day to 10-day lending facility.

Some analysts said the government could not sustain a period of high interest rates

GOVERNMENT BONDS

because it would play havoc with its aim to reduce unemployment.

By raising rates, the government had entered into a "game of chess" with the market and if it lost, it would have to abandon its "franc fort" policy, they said.

Trading in French bonds was quiet and the spread over German government bonds widened by just one basis point to 103 points. On the Matif, the 10-year notional government bond contract fell 0.06 to 114.66.

■ UK gilts fell by more than ½ point, hit by inflation concerns after disappointing September producer price data and political worries following the weekend defection of Mr Alan Howarth from the ruling Conservative Party to the opposition Labour Party.

Gilts underperformed German government bonds, with the 10-year yield spread widening to 172 basis points, from 167 at Friday's close. The December long gilt future on Liffe ended at 105 10/32, down 17/32 from Friday.

■ Speculation that the Bundesbank would have to cut rates again in order to take upward pressure off the D-Mark and so help the French franc caused a further steepening in the yield curve. The difference between two and 10-year paper now stands at more than 220 basis points, an historic high.

PowerGen agrees terms for loan

By Antonia Sharpe

PowerGen, the UK electricity generator which has made an agreed £1.95bn bid for Midlands Electricity, the regional electricity company, will pay between 17.5 basis points and 22.5 basis points above the London interbank offered rate (Libor) when it draws on its £2.55bn acquisition facility.

The margin on the two-tranche facility will depend on the net gearing ratio of the combined group, according to PowerGen's offer document.

Tranche A, of £1.75bn, is a five-year term loan which can be drawn down over a nine-month period subject to PowerGen making the offer and it becoming unconditional.

Tranche B, of £800m, is a five-year multi-currency revolving credit facility available for purchases of Midlands shares and for refinancing.

● A $500m five-year revolving credit facility for KLM, the Dutch airline, has been oversubscribed, with more than 30 banks joining the transaction. KLM is now considering the size of the facility, which is due to be signed towards the end of this month.

● A £700m credit facility for BTR, the UK industrial group, was also oversubscribed but the borrower has decided not to increase the amount.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	93.4400	+0.200	8.50	8.52	9.02
Austria		6.875	06/05	99.1700	-0.230	6.99	6.98	6.96
Belgium		6.500	03/05	95.5900	-0.120	7.15	7.10	7.19
Canada *		8.750	12/05	0.0000	-	0.00	7.68	8.01
Denmark		7.000	12/04	93.6800	-0.240	7.99	7.86	7.99
France	BTAN	7.750	04/00	103.5000	+0.250	6.87	6.75	6.58
	OAT	7.750	10/05	100.9300	-0.150	7.61	7.46	7.33
Germany Bund		6.875	05/05	102.0100	+0.090	6.58	6.57	6.67
Ireland		6.250	10/04	87.5500	-0.400	8.26	8.22	8.29
Italy		10.500	04/05	93.3700	-0.230	11.67†	11.66	11.38
Japan	No 129	6.400	03/00	119.9580	+0.090	1.58	1.53	2.20
	No 174	4.600	09/04	113.6280	+0.194	2.71	2.62	3.14
Netherlands		7.000	06/05	102.3600	-0.060	6.65	6.62	6.70
Portugal		11.875	02/05	103.1300	-0.220	11.29	11.18	11.26
Spain		10.000	02/05	94.2400	-0.160	10.98	10.86	10.99
Sweden		8.000	02/05	78.7410	-0.270	9.54	9.41	10.18
UK Gilts		8.000	12/00	101-25	-11/32	7.57	7.48	7.60
		8.500	12/05	102-16	-16/32	8.13	8.04	8.05
		9.000	10/08	106-02	-17/32	8.23	8.16	8.12
US Treasury *		6.500	08/05	0-00	-	0.00	6.11	6.34
		6.875	08/25	0-00	-	0.00	6.45	6.70
ECU (French Govt)		7.500	04/05	97.3000	-0.190	7.90	7.73	7.64

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.56	Two year	5.76
Prime rate	8¾	Two month	5.53	Three year	5.80
Broker loan rate	7½	Three month	5.48	Five year	5.89
Fed.funds	5 11/16	Six month	5.58	10-year	6.07
Fed.funds at intervention	-	One year	5.60	30-year	6.42

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	114.40	114.66	-0.06	114.88	114.38	88,405	104,826
Mar	113.86	114.22	-	114.32	113.86	1,436	3,427
Jun	114.04	114.40	-	114.04	114.04	2	1,418

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
114	1.03	1.49	1.78	0.37	0.52	1.12
115	0.45	0.93	-	0.75	0.81	1.52
116	0.14	0.51	-	-	1.20	-
117	-	0.25	-	-	1.82	-
118	-	0.11	0.35	-	-	-

Est. vol. total, Calls 18,178 Puts 11,791. Previous day's open int., Calls 129,092 Puts 145,520.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.54	95.60	-	95.71	95.36	69383	191290
Mar	94.99	95.01	-0.01	95.04	94.80	311	3768

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
9550	0.46	0.77	0.66	0.98	0.38	0.67	1.15	1.47
9600	0.23	0.53	0.48	0.77	0.83	0.93	1.47	1.78
9650	0.10	0.34	0.33	0.62	1.00	1.24	1.82	2.11

Est. vol. total, Calls 9289 Puts 9285. Previous day's open int., Calls 196581 Puts 159605

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101.05	101.12	-0.37	101.32	100.65	20844	43824
Mar		100.77	-0.37			0	45

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
10100	1.56	2.46	1.44	2.69
10150	1.31	2.23	1.69	2.96
10200	1.09	2.02	1.97	3.25

Est. vol. total, Calls 3780 Puts 803. Previous day's open int., Calls 37935 Puts 41746

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	88.03	88.19	-0.21	88.48	87.96	32.346	32.102
Mar	-	88.35	-	-	-	-	8

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	105-22	105-10	-0-17	105-23	105-06	31941	98451
Mar		104-25	-0-17			0	246

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
105	0-57	1-24	1-25	1-59	0-37	1-04	1-39	2-09
106	0-27	0-56	0-61	1-30	1-07	1-36	2-11	2-44
107	0-11	0-33	0-40	1-07	1-65	2-13	2-54	3-21

Est. vol. total, Calls 1483 Puts 3575. Previous day's open int., Calls 34429 Puts 27786

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	85.54	85.76	+0.06	85.82	85.40	2,048	7,241

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% (Oct 6)

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	115-10	115-05	-0-06	115-30	114-20	348,958	332,895
Mar	114-31	114-25	-0-07	115-18	114-10	2,106	15,113
Jun	114-15	114-10	-0-07	114-15	113-30	836	2,649

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	121.10			121.17	121.01	1079	0
Mar	120.04			120.06	120.04	20	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Oct 9	Day's change %	Fri Oct 6	Accrued interest	xd adj. ytd		Low coupon yield Oct 9	Low Oct 6	Low Yr. ago	Medium coupon yield Oct 9	Medium Oct 6	Medium Yr. ago	High coupon yield Oct 9	High Oct 6	High Yr. ago
1 Up to 5 years (23)	121.27	-0.15	121.96	1.54	8.88	5 yrs	7.63	7.57	8.60	7.63	7.57	8.68	7.73	7.66	8.83
2 5-15 years (21)	144.40	-0.32	144.86	1.90	9.78	15 yrs	8.25	8.20	8.59	8.28	8.23	8.72	8.36	8.32	8.96
3 Over 15 years (9)	159.62	-0.44	160.32	2.66	9.84	20 yrs	8.29	8.25	8.55	8.33	8.28	8.72	8.39	8.37	8.83
4 Irredeemables (6)	182.46	+0.09	182.31	3.79	8.83	Irred.†	8.37	8.38	8.65						
5 All stocks (59)	140.26	-0.29	140.85	1.93	9.54										

Index-linked	Mon Oct 9	Day's change %	Fri Oct 6	Accrued interest	xd adj. ytd		Inflation 5% Oct 9	Oct 6	Yr. ago	Inflation 10% Oct 9	Oct 6	Yr. ago
6 Up to 5 years (1)	192.39	-0.21	192.79	-0.40	8.37	Up to 5 yrs	3.22	3.12	4.06	2.16	2.06	3.00
7 Over 5 years (11)	183.64	-0.60	184.95	0.97	4.00	Over 5 yrs	3.73	3.68	3.90	3.54	3.49	3.71
8 All stocks (12)	183.91	-0.59	185.00	0.94	4.10							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 9	Oct 6	Oct 5	Oct 4	Oct 3	Yr ago	High*	Low*
Govt. Secs. (UK)	92.94	93.11	93.34	93.44	93.25	90.86	95.51	90.22
Fixed Interest	111.44	111.55	111.78	111.74	111.57	107.42	114.66	108.77

* for 1995. Government Securities High since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2
Gilt Edged bargains	84.6	72.0	77.2	89.9	74.6
5-day average	79.7	79.7	83.0	90.1	89.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 9

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	98¾	98⅞		6.00
Abbey Natl Treasury 6½ 03	1000	99½	99¾		6.58
ABN Amro Bank 7¼ 05	1000	103⅝	104		6.84
African Dev Bk 7⅜ 23	500	101½	102		7.24
Alberta Province 7⅝ 98	1000	104¼	104⅝		6.06
Austria 8½ 00	400	108⅜	108¾		6.20
Baden-Wuert L-Fin 8⅛ 00	1000	106⅞	107		6.24
Bank Ned Gemeenten 7 99	1000	103	103¼	-⅛	6.10
Bayer Vereinsbk 8⅛ 00	500	106¾	107		6.27
Belgium 5½ 03	1000	93⅝	93⅞		6.54
BFCE 7¼ 97	150	102¼	102⅝		5.89
British Columbia 7¾ 02	500	106⅞	107¼		6.44
British Gas 0 21	1500	14½	14⅞		7.69
Canada 6½ 97	2000	100⅞	101⅛		5.94
Cheung Kong Fin 5½ 98	500	95⅝	96		7.28
China 6½ 04	1000	95¼	95⅝		7.31
Credit Foncier 9½ 99	300	109¼	110		6.19
Denmark 5¾ 98	1000	99¾	100		5.85
East Japan Railway 6⅝ 04	600	100¼	100⅝		6.58
ECSC 8¼ 96	193	102⅜	102¾		6.02
EIB 6 04	500	97¼	97½		6.43
EIB 9¼ 97	1000	106⅝	106⅞	-⅛	5.80
Elec de France 9 98	200	108⅜	108¾		6.07
Ex-Im Bank Japan 8 02	500	108⅝	108⅞		6.35
Export Dev Corp 9½ 98	150	108⅜	108⅝		6.09
Fed Home Loan 7⅛ 99	1500	103⅝	103¾		6.13
Federal Natl Mort 7.40 04	1500	106⅞	107⅛		6.46
Finland 6¾ 97	3000	101⅝	101⅞		6.01
Ford Motor Credit 6¼ 98	1500	100⅛	100⅜	-⅛	6.28
Ind Bk Japan Fin 7⅞ 97	200	102	102¼		6.41
INTER-AMER DEV 7½ 05	500	107	107¼		6.48
Intl Finance 5¼ 99	500	98	98¼		5.94
Italy 6 03	2000	96	96⅜		6.77
Italy 6⅞ 23	3500	92⅛	92⅜	-⅛	7.70
Japan Dev Bk 8⅞ 01	500	109⅛	109½		6.30
Korea Elec Power 6⅜ 03	1350	97¼	98¼		6.85
LTCB Fin 8 97	200	101¾	102		6.48
Matsushita Elec 7¼ 02	1000	104½	104⅞		6.52
Norway 7¼ 97	1000	101⅞	102⅛		5.86
Ontario 7⅜ 03	3000	104⅞	105¼		6.63
Oster Kontrollbank 8½ 01	200	109¾	110		6.30
Portugal 5¾ 03	1000	95⅝	95⅞		6.56
Quebec Hydro 9¾ 98	150	108¾	109⅛		6.42
Quebec Prov 9 98	200	105¾	106⅛	-⅛	6.40
SAS 10 99	200	109⅞	110⅜		6.62
SNCF 9½ 98	150	108⅜	108¾	-⅛	6.11
Spain 6½ 99	1500	101⅛	101½		6.17
Sweden 6½ 03	2000	100⅝	100⅞		6.49
Tennessee Valley 6⅜ 05	3000	99⅞	100⅛	-⅛	6.49
Tokyo Elec Power 6⅛ 03	1000	97½	97¾		6.54
Tokyo Metropolis 8¼ 96	200	102¼	102½		6.01
Toyota Motor 5⅝ 98	1500	99⅜	99⅝		5.89
United Kingdom 7¼ 02	3000	105⅜	105⅝		6.29
World Bank 6⅜ 05	1500	100½	100⅞		6.40
World Bank 6⅝ 98	1500	108⅜	108½		6.07
World Bank 8¾ 97	1500	104⅛	104⅜	-⅛	5.71
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	88	88¼		7.53
Baden-Wuertt L-Finance 6 99	2000	102⅝	102¾	+⅛	5.17
Credit Foncier 7¼ 03	2000	101⅝	102⅛	-⅛	6.85
Denmark 6⅛ 98	2000	103⅛	103⅜		4.76
Depfa Finance 6⅜ 03	1500	97¼	97⅜		6.83
Deutsche Bk Fin 7½ 03	2000	103⅞	104¼	-½	6.80
EEC 6½ 00	2900	103⅜	103⅝	+⅛	5.61
EIB 6¼ 00	1500	102½	102⅞	+⅛	5.59
Finland 7½ 00	3000	108½	108¾		5.74
Italy 7¼ 98	5000	105	105⅛		4.91
LKB Baden-Wuertt 6½ 08	2250	94⅛	94⅞		7.13
Norway 6⅛ 98	1500	103⅜	103½		4.69
Ontario 6¼ 04	1500	95⅞	96		6.92
Spain 7¼ 03	4000	103⅜	103½		6.65
Sweden 8 97	2500	108½	108⅝	+⅛	4.63
United Kingdom 7⅛ 97	5500	105⅛	105¼	+⅛	4.45
Volkswagen Intl Fin 7 03	1000	101⅛	101⅜	-⅞	6.80
World Bank 0 15	2000	26	26	+⅜	6.90
World Bank 5⅞ 03	3000	95¾	95⅞		6.57
SWISS FRANC STRAIGHTS					
Asian Dev Bank 6 10	100	110¾			4.97
Austria 4½ 00	1000	104¼	104½	-⅛	3.43
Council Europe 4¾ 98	250	103½	103¾	+½	3.18
Denmark 4¼ 99	1000	103⅜	103⅝	-⅛	3.33
EIB 6¾ 04	300	113	113½		4.93
Elec de France 7¼ 06	100	114½			5.37
Finland 7¼ 99	300	112½	112¾		3.82
Hyundai Motor Fin 8½ 97	100	108¼		+¼	3.95
Iceland 7⅞ 00	100	114½	115½	-¼	4.22
Kobe 6⅜ 01	240	110¾	111½	-¼	4.24
Ontario 6¼ 03	400	109¼	109½		4.72
Quebec Hydro 5 08	100	96¾	97		5.36
SNCF 7 04	450	116¼	116¾	-¼	4.74
World Bank 5 03	150	103½		+⅛	4.46
World Bank 7 01	600	114¼	114½	+⅛	4.01
YEN STRAIGHTS					
Belgium 5 99	75000	113⅛	113⅜		1.72
CREDIT FONCIER 4¾ 02	75000	111½	111¾	-⅛	2.67
EIB 6⅝ 00	100000	120⅛	120⅜	-⅛	1.65
Ex-Im Bank Japan 4⅜ 03	105000	111⅛	111⅜	-⅛	2.80
Inter Amer Dev 7¼ 00	30000	123¼	123⅜		1.94
Italy 3½ 01	300000	104⅝	104¾		2.64
Japan Dev Bk 5 99	100000	113⅜	113½		1.51
Japan Dev Bk 6½ 01	120000	122¾	123	-⅛	2.35
Norway 5⅝ 97	150000	108½	108⅝		0.52
SNCF 6¾ 00	30000	120½	120¾		1.85
Spain 5¾ 02	125000	118⅝	118⅞		2.58
Sweden 4⅝ 98	150000	108¼	108⅜		1.01
World Bank 5¼ 02	250000	116¾	116⅞		2.44
OTHER STRAIGHTS					
Finland 9 04 LFr	5000	104½	105½		7.29
Genfinance Lux 9⅛ 99 LFr	1000	107⅞	108⅞		6.52
IKB Deut Industbk 8½ 03 LFr	3000	105½	106½		7.48
ABN Amro 6⅝ 00 Fl	1000	103¼	103½	+⅛	5.77
Bank Ned Gemeenten 7 03 Fl	1500	102½	102⅞	-⅛	6.55
Bell Canada 10⅝ 99 C$	150	109⅜	110		7.65
British Columbia 7¾ 03 C$	1250	100	100⅜		7.90
Canada Mtg & Hsg 8¼ 99 C$	1000	103⅞	103⅝		7.34
EIB 10⅛ 98 C$	130	106⅝	107⅛		7.01
Elec de France 9¾ 99 C$	275	107¾	108⅛	+⅛	7.39
KfW Int Fin 10 01 C$	400	109¾	110⅛	+⅛	7.71
Nippon Tel Tel 10¼ 99 C$	200	109⅜	109¾	+⅛	7.47
Ontario 8 03 C$	1500	101⅛	101⅜	+⅛	7.95
Ontario Hydro 10⅞ 99 C$	500	110¼	110½	+⅛	7.39
Oster Kontrollbank 10¼ 99 C$	150	109	109⅜		7.43
Quebec Hydro 7 04 C$	1000	92¾	93⅛		8.35
Quebec Prov 10½ 98 C$	200	108⅛	108⅜		7.49
Council Europe 9 01 Ecu	1100	106½	106¾	-⅛	7.62
Credit Foncier 8⅛ 04 Ecu	1000	100¼	100½	-⅛	8.32
Denmark 8½ 02 Ecu	1000	104	104¼	-⅛	7.68
EC 6 00 Ecu	1000	95¼	95½	-⅛	7.15
EIB 10 97 Ecu	1125	105¼	105½		5.79
Ferro del Stat 10⅛ 98 Ecu	500	107	107⅜		6.64
Italy 10⅛ 00 Ecu	1000	112	112¼		7.50
United Kingdom 9⅛ 01 Ecu	2750	107⅛	107½	-⅛	7.39
AIDC 10 99 A$	100	105⅝	106	+⅛	8.15
Comm Bk Australia 13¾ 99 A$	100	118	118½		8.22
EIB 7¾ 99 A$	350	101⅛	101½	+⅛	7.53
NSW Treasury Zero 0 20 A$	1000	11⅞	12⅛	+⅛	8.85
R & I Bank 7¾ 03 A$	125	94⅛	94¼	+⅛	8.80
State Bk NSW 9 02 A$	300	102⅛	102½		8.56
Sth Aust Govt Fin 9 02 A$	150	101⅞	101⅞		8.73
Unilever Australia 12 98 A$	150	108⅝	109⅛	+⅛	8.00
Western Aust Treas 7¾ 98 A$	100	99⅛	99⅞	-⅛	7.92
Abbey Natl Treasury 8 03 £	1000	97⅜	97⅝	-⅛	8.47
Alliance Leics 11⅛ 97 £	100	105⅞	106¼	-¼	7.24
British Land 8⅞ 23 £	150	90⅝	91⅛	-½	10.11
Denmark 6⅜ 98 £	800	98¼	98⅜	-¼	7.44
EIB 8 03 £	1000	98⅛	98½	-⅛	8.28
Halifax 10⅜ 97 £	100	104⅛	104½	-⅛	7.11
Hanson 10⅜ 97 £	500	105⅜	105⅝	-⅛	7.42
HSBC Holdings 11.69 02 £	153	114	114⅛	-⅛	8.85
Italy 10½ 14 £	400	108¼	108⅝	-⅝	9.52
Japan Dev Bk 7 00 £	200	96¾	97	-⅛	7.60
Land Secs 9½ 07 £	200	102½	102⅞	-½	9.13
Ontario 11⅛ 01 £	100	112	112⅜	-⅛	8.24
Powergen 8⅞ 03 £	250	101⅛	101½	-⅛	8.60
Severn Trent 11½ 99 £	150	111⅛	111⅜	-¼	7.94
Tokyo Elec Power 11 01 £	150	112¼	112⅝	-⅛	8.19
TCNZ Fin 9¼ 02 NZ$	75	106¾	107¼	+¼	7.90
World Bank 12½ 97 NZ$	250	107	107¼		8.37
Credit Local 6 01 FFr	7000	93⅝	93⅞	-⅛	7.33
Elec de France 8¾ 22 FFr	3000	103¼	103⅝	-⅝	8.43
SNCF 9¼ 97 FFr	4000	103⅝	104	-¼	6.59

FLOATING RATE NOTES

	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.74	99.81	5.8125
Bankamerica ⅛ 99	750	99.73	99.83	6.0000
Belgium 1/16 97 DM	500	100.11	100.23	4.4375
BFCE -0.02 95	350	100.00	100.09	6.0425
Canada -⅛ 99	2000	99.43	99.51	5.6250
CCCE 0 06 Ecu	200	99.44	99.56	5.8797
COMMERZBK O/S FIN -⅛ 98	750	99.59	99.67	5.7500
Credit Lyonnais 1/16 00	300	97.79	98.15	5.8750
Denmark -⅛ 97	1000	99.95	100.01	5.7500
Dresdner Finance 1/32 98 DM	1000	100.04	100.14	4.5742
Ferro del Stat 0.10 97	420	100.06	100.21	6.1250
Finland 0 97	1000	100.06	100.13	5.7500
FINLAND -⅛ 99	1500	99.67	99.74	5.7500
IMI Bank Intl ¼ 99	500	100.03	100.13	6.1484
Italy 1/16 99	1500	99.75	99.83	6.0000
Italy ¼ 98	2000	100.09	100.17	6.1250
LKB Baden-Wuert Fin -⅛ 98	1000	99.91	99.97	6.2500
Lloyds Bank Perp S 0.10	600	82.75	83.92	5.9655
Malaysia 1/16 05	650	99.58	99.80	6.0000
New Zealand -⅛ 99	1000	99.80	99.90	5.8125
Nova Scotia 1/16 99	500	99.90	100.00	6.0625
Ontario 0 99	2000	99.67	99.76	5.9375
Renfe 0 98	500	99.62	99.78	6.0625
State Bk Victoria 0.05 99	125	99.98	100.13	5.9406
Sweden 0 98	1500	100.03	100.09	5.8750
Sweden -⅛ 01	2000	99.39	99.47	5.7500

CONVERTIBLE BONDS

	Issued	Conv. Price	Bid	Offer	Prem.
Browning-Ferris 6¾ 05	400	52½	98⅝	99½	+77.02
Chubb Capital 6 98	250	86	110	111	+1.58
Gold Kalgoorlie 7½ 00	65	1.0554	107	108½	+30.13
Hanson 9½ 06 £	500	2.48	101	101⅝	+26.35
Hanson America 2.39 01	420	29.8375	80⅛	80¾	+49.59
Hong Kong Land 4 01	410	31.05	83⅞	84⅛	-16.40
Land Secs 6¾ 02 £	84	6.72	98⅝	99½	+6.92
Lasmo 7¾ 05 £	90	5.64	89⅞	90⅞	
Mitsui Bank 2⅝ 03	200	2332.8	80⅛	81⅞	+36.48
Mount Isa Fin 6½ 97	100	2.283	98½	99½	+84.11
Natl Power 6¾ 08 £	250	4.33	110⅛	111¼	-1.26
Ogden 6 02	85	39.077	92⅝	93⅝	+50.81
Pennzoil 4¾ 03	500	58.8097	94⅞	95⅞	+13.58
Sumitomo Bank 3⅛ 04	300	3606.9	83¾	84⅛	+21.44
Sun Alliance 7¼ 08 £	155	3.9	100⅝	101⅝	+8.41
Tesco Capital 9 05 £	200				
Texas Instruments 2¾ 02	300	41 7/16	177½	179½	-1.77

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1995 High	1995 Low
Shorts" (Lives up to Five Years)							
Treas 12¾pc 1995‡‡		12.67	6.45	100 13/32xd	—	104⅞	100 13/32
14pc 1996		13.71	6.35	102 3/16	-1/16	105⅞	102 3/16
15¼pc 1996‡‡		14.54	6.40	104 15/32xd	-1/16	109⅝	104⅞
Exch 13¼pc 1996‡‡		12.75	6.48	103 15/32xd	+1/16	107¼	103 25/32
Conversion 10pc 1996		9.65	6.59	103⅝xd	-1/16	104 13/32	103 1/16
Treas 13¼pc 1997‡‡		12.27	6.62	108	-⅛	109 13/16	107 13/32
Exch 10½pc 1997		10.01	6.87	104⅞	-⅛	105 29/32	104 3/16
Treas Cnv 7pc 1997‡‡		6.98	6.81	100 7/16	-⅛	100 15/16	97⅞
Treas 8¾pc 1997‡‡		8.47	6.87	103 5/16	-⅛	103 13/16	100 1/16
Exch 15pc 1997		13.02	6.92	115 7/32xd	-⅛	117 5/16	114 13/16
9¾pc 1998		9.23	7.00	105 [illegible]	-3/16	107 3/16	102¾
Treas 7¼pc 1998‡‡		7.22	7.10	100 7/16	-3/16	101 3/16	96⅝
Treas 6¾pc 1995-98‡‡		6.81	7.19	99 5/32xd	-3/16	99 13/16	94 13/16
Treas 15½pc '98‡‡		12.73	7.24	121 25/32	-3/16	124⅛	120⅝
Exch 12pc 1998		10.64	7.31	112 25/32	-3/16	114 3/16	109 13/16
Treas 9½pc 1999‡‡		8.84	7.31	108¼	-3/16	107 3/16	100⅞
Treas Flg Rate 1999		-	-	100 13/32	—	100 13/32	99 13/16
Exch 12¼pc 1999		10.89	7.39	114⅝	-3/16	116⅛	111 7/16
Treas 10½pc 1999		9.56	7.41	109⅞	-⅛	110 13/16	105 13/16
Treas 6pc 1999‡‡		6.30	7.44	95 3/16	-3/16	96 3/16	90 13/16
Conversion 10¼pc 1999		9.36	7.51	109½	-⅛	110 13/16	105⅝
Conv 9pc 2000‡‡		8.53	7.52	105 13/16	-¼	106 13/16	100 13/16
Treas 13pc 2000		10.73	7.61	121 3/16	-3/16	123 3/16	117
14pc 1998-1		12.08	7.19	116 13/16	-3/16	117¾	114 3/16
Five to Fifteen Years							
8pc 2000‡‡		7.86	7.58	101 13/16	-⅛	103 3/16	96 7/16
10pc 2001		9.10	7.71	109⅞	-3/16	111 13/16	104 13/16
7pc 2001‡‡		7.27	7.78	96 5/16xd	-3/16	97 13/16	90 13/16
9¾pc 2002		8.89	7.90	109⅝	-⅛	111⅝	103 13/16
8pc 2003‡‡		7.98	7.96	100 3/16	-3/16	102 3/16	94⅝
10pc 2003		8.98	7.99	111 5/16	-3/16	113 13/16	105⅞
Treas 11½pc 2001-4		9.93	7.98	115 13/16	-13/32	118	110 13/16
Funding 3½pc 1999-4		4.44	6.79	78¾	-⅛	80⅝	70½
Conversion 9½pc 2004		8.74	8.11	108 13/16xd	-3/16	111 13/16	103 3/16
Treas 6¾pc 2004‡‡		7.40	8.12	91 3/16	-3/16	93 3/16	86 7/16
Conv 9½pc 2005		8.73	8.16	108 13/16xd	-13/32	111 13/16	103⅝
Treas 12½pc 2003-5		9.99	8.11	125⅝	-13/32	128 13/16	119 13/16
Treas 8½pc 2005‡‡		8.29	8.12	102 9/16	-⅛	105 13/16	97⅝
7½pc 2006‡‡		7.85	8.12	95 13/16	-⅛	96 13/16	95 3/16
7¾pc 2006‡‡		8.01	8.19	96¾	—	99 13/16	92⅛
8pc 2002-6‡‡		8.09	8.17	98⅞	-⅛	101 3/16	93¾
Treas 11¾pc 2003-7		9.80	8.07	119 13/16	-⅛	123 13/16	113 13/16
Treas 8½pc 2007‡‡		8.32	8.21	102 3/16	-13/32	105 13/16	97 13/16
13½pc 2004-8		10.19	8.12	132 13/16	-⅛	135 13/16	126 3/16
Treas 9pc 2008‡‡		8.48	8.23	106 3/16xd	-13/32	110 3/16	101⅝
Treas 8pc 2009		8.18	8.26	97 13/16	-13/32	102 3/16	94
Over Fifteen Years							
Treas 6 1/4pc 2010		7.56	8.31	82 13/16	-13/32	86 13/16	79 3/16
Conv 9pc Ln 2011‡‡		8.48	8.30	106⅛	-13/32	111 1/16	101 13/16
Treas 9pc 2012‡‡		8.46	8.30	106⅛	-13/32	111 13/16	102 3/16
Treas 5½pc 2008-12‡‡		7.10	7.98	77 13/16	-13/32	80⅝	72¾
Treas 8pc 2013‡‡		8.23	8.31	97 3/16	-13/32	102¼	93 13/16
7¾pc 2012-15‡‡		8.19	8.34	94⅝	-⅛	99 13/16	91 13/16
8pc 2015		8.23	8.30	97 3/16	-13/32	102 13/16	93 13/16
Treas 8¾pc 2017‡‡		8.40	8.34	104 3/16	-⅜	110 13/16	100 13/16
Exch 12pc 2013-17		9.00	8.39	133 13/16	-13/32	139 13/16	127⅝
Undated							
Consols 4pc		8.62	-	46 13/16	+1/16	49 13/16	45¼
War Loan 3½pc‡‡		8.33	-	42	+1/16	45 3/16	40 13/16
Conv 3½pc '61 Aft.		5.91	-	59¼	-⅛	61 3/16	57 13/16
Treas 3pc '66 Aft.		8.56	-	35 1/16	—	37 3/16	34¼
Consols 2½pc		8.33	-	30	-1/16	31⅞	28 13/16
Treas. 2½pc		8.39	-	29 13/16	—	31⅝	28⅜

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	1995 High	1995 Low
	(b)						
2pc '96	(67.9)	0.84	3.26	212 13/16	-3/16	213 3/16	201 3/16
4⅝pc '98‡‡	(135.6)	2.16	3.21	111 3/16xd	-¼	112 3/16	106 3/16
2½pc '01	(78.3)	3.18	3.64	175⅝	-⅛	177 13/16	165 13/16
2½pc '03	(78.8)	3.21	3.67	171 3/16	-13/32	173⅞	161 13/16
4⅜pc '04‡‡	(135.6)	3.34	3.67	113 7/16xd	-13/32	115 13/16	108 3/16
2pc '06	(69.5)	3.38	3.84	179 3/16	-13/32	183 3/16	168 3/16
2½pc '09	(78.8)	3.49	3.70	161⅝	-13/32	165 13/16	152 3/16
2½pc '11	(74.6)	3.51	3.71	167⅞	-13/32	171⅝	157 3/16
2½pc '13	(89.2)	3.56	3.74	137 13/16	-13/32	141 3/16	129 3/16
2½pc '16	(81.6)	3.80	3.78	146⅝	-1 1/16	150 13/16	137⅝
2½pc '20	(83.0)	3.83	3.77	140 13/16xd	-13/32	144 13/16	131 13/16
2½pc '24‡‡	(97.7)	3.83	3.73	116 13/16	-⅛	120 13/16	109¼
4⅛pc '30‡‡	(135.1)	3.63	3.76	115 13/16	-⅛	119 13/16	108 3/16

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for January 1995: 146.0 and for August 1995: 149.9.

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or -	1995 High	1995 Low
Asian Dev 10¼pc 2009		9.01	8.51	113 13/16	—	116 3/16	108 13/16
B'ham 11½pc 2012		9.50	9.05	121	—	122½	118½
Ireland Cap 8½pc '10		8.19	-	103¾	-⅛	106	98¾
9pc Cap 1996		8.85	-	104	-⅛	104¼	100
13pc '97-2		11.78	-	110½	-⅛	111⅞	107
Hydro Quebec 15pc 2011		10.33	9.41	145⅞	—	154 13/16	138 13/16
Leeds 13½pc 2006		10.34	-	130½	—	133½	129½
Liverpool 3½pc Irred		10.61	-	33	—	40	33
LCC 3pc '20 Aft		10.91	-	27¼	—	34½	27¼
Manchester 11½pc 2007		9.70	8.96	118½	—	119½	113½
Met. Wtr. 3pc 'B'		4.28	8.39	70½	—	72	69¼
N'wide Anglia 3⅝pc 2021		-	4.51	137¼	—	143½	130½
4¼pc IL 2024		-	4.47	131¼	—	138½	123⅞
Utd Mex States 16½pc 2008		13.41	-	123	—	139	113½

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

هكذا من الأصل

CURRENCIES AND MONEY

MARKETS REPORT

Bank of France raises rates as franc wobbles

By Philip Gawith

The Bank of France yesterday took a further step in its defence of the embattled French franc by lifting its 24 hour emergency lending rate to 7.25 per cent from 6.15 per cent.

This follows the decision last Friday to close the 5-10 day lending window, replacing it with the 24 hour facility.

The BoF's initiative was successful in stabilising the franc which had earlier fallen to FFr3.53 against the D-Mark. It then recovered to trade steadily for the rest of the day, finishing at FFr3.512 against the D-Mark from FFr3.514 on Friday.

The other focus of market attention concerned the US dollar, following the weekend statement of support from G7 finance ministers and central bankers meeting in Washington. Predictably enough, the market was "disappointed" at its seemingly bland formulation, and the dollar closed lower in Europe, but selling pressure was not intense.

After falling to a two month intra-day low of DM1.4050 against the D-Mark, the dollar recovered to close in London at DM1.4119, from DM1.427 on Friday. Against the yen it closed at Y100.3 from Y100.75.

Activity in the markets was affected by the fact that US markets were mostly closed on account of the Columbus Day holiday, while Japanese markets are closed today.

Sterling was a minor victim of the political fall-out following the weekend defection of a Tory MP to the Labour Party on the eve of the annual conference of the Tories, the ruling party. It lost nearly two pfennigs against the D-Mark, finishing at DM2.2375, from DM2.2559. Against the dollar it was slightly firmer at $1.5848, from $1.5809.

■ Pound in New York

Oct 9	---Latest---	-- Prev. close --
£ spot	1.5860	1.5835
1 mth	1.5847	1.5823
3 mth	1.5825	1.5802
1 yr	1.5720	1.5706

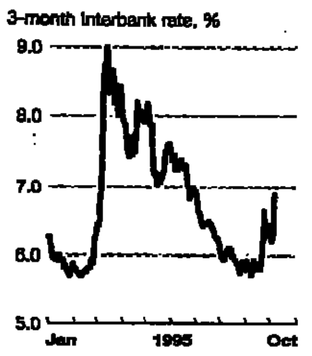
■ The franc did not want for friends yesterday. Indeed, if a couple of good words from the neighbours was enough to see off a currency crisis, then the franc would be home and dry.

Hard on the heels of the BoF's decision to raise rates came the endorsement of Mr Hans Tietmeyer, the Bundesbank president, that the franc was still fundamentally one of Europe's strong currencies. Later in the day he was joined by Mr Theo Waigel, the German finance minister, who said that France's economic fundamentals were good.

Adding his voice to the chorus was Mr Lamberto Dini, the Italian prime minister, and former central banker, who said French fundamentals were among the best in Europe, so it was unclear why the franc was "over-reacting".

France

3-month interbank rate, %



Source: FT Extel

Mr Dini said the franc's difficulties could be ascribed to the "Valencia effect", a reference to the recent G7 summit in Spain which brought forward to 1997 the date by which countries wishing to join a European single currency had to reduce their budget deficit to GDP ratio to three per cent or less.

While the BoF will be pleased with the initial impact of the changes it made, many observers noted that higher interest rates are no solution to France's problems. Mr Chris Turner, currency strategist at BZW in London, said: "Higher interest rates can only exacerbate the pressures that have been pushing the Franc down."

Many analysts believe that trying to qualify for Emu is throttling an otherwise robust economy. Mr Philippe Jordan, senior vice president at Daiwa Securities in New York, says: "Once the French economy is freed from the Maastricht stranglehold, it will do very well."

Expressing the views of many, he added: "I can't see how this government is going to be able to wriggle out of a devaluation."

Mr Robin Marshall, chief economist at Chase Manhattan in London, said the attack on the franc had more to do with the problems of the prime minister than the level of the exchange rate. He said the country's strong current account position was evidence that the currency was not decisively overvalued.

Mr Marshall said a key issue for the currency would be the ability of the government to stand up to the unions. The previous government tended to "cave in" when the going got tough. If the current government goes the same way, making the fiscal discipline the market desires less likely, the franc will certainly face greater speculative pressure.

■ The Bank of England cleared an £800m money market shortage in its daily operations. Three month LIBOR traded at 6 [illegible] per cent.

■ OTHER CURRENCIES

Oct 9	£	$
Czech Rp	41.5202 - 41.5587	26.2040 - 26.2200
Hungary	206.904 - 207.049	130.580 - 130.630
Iran	4755.00 - 4753.50	3000.00 - 3000.00
Kuwait	0.4744 - 0.4747	0.2994 - 0.2995
Poland	3.8567 - 3.8611	2.4340 - 2.4360
Russia	7129.33 - 7131.83	4498.00 - 4501.00
U.A.E.	5.8175 - 5.8225	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Oct 9		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7452	-0.1271	388 - 516	15.9476	15.6974	15.7148	2.3	15.6562	2.3	-	-	107.3
Belgium	(BFr)	46.0663	-0.3949	487 - 839	46.5070	45.9420	45.9713	2.5	45.7813	2.5	45.0463	2.2	109.9
Denmark	(DKr)	8.7067	-0.0686	029 - 104	8.7608	8.6732	8.699	1.1	8.6825	1.1	8.62	1.0	110.4
Finland	(FM)	6.7768	-0.0402	710 - 825	6.8200	6.7450	6.7724	0.8	6.7643	0.7	-	-	88.2
France	(FFr)	7.8564	-0.0714	536 - 592	7.9162	7.8486	7.8511	0.8	7.8398	0.8	7.7831	0.9	108.9
Germany	(DM)	2.2375	-0.0184	367 - 383	2.2570	2.2268	2.2323	2.8	2.2229	2.6	2.182	2.5	112.8
Greece	(Dr)	368.676	-2.294	539 - 814	371.629	367.337	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9819	+0.0003	814 - 823	0.9831	0.9794	0.9811	1.0	0.9798	0.9	0.9766	0.5	97.5
Italy	(L)	2547.09	-9.7	550 - 868	2556.14	2542.23	2554.34	-3.4	2569.24	-3.5	2637.39	-3.5	69.6
Luxembourg	(LFr)	46.0663	-0.3949	487 - 839	46.5070	45.9420	45.9713	2.5	45.7813	2.5	45.0463	2.2	109.9
Netherlands	(Fl)	2.5066	-0.0236	060 - 076	2.5260	2.4970	2.5004	3.1	2.4894	2.8	2.4432	2.5	108.9
Norway	(NKr)	9.8910	-0.0787	847 - 972	10.0176	9.8491	9.8786	1.5	9.8567	1.4	9.7812	1.1	99.6
Portugal	(Es)	235.446	-1.887	330 - 563	237.159	233.972	235.986	-2.6	237.206	-3.0	-	-	95.0
Spain	(Pta)	194.481	-1.149	371 - 591	195.601	194.371	194.981	-3.1	195.921	-3.0	200.321	-3.0	81.0
Sweden	(SKr)	11.0173	-0.0949	083 - 262	11.1008	10.9815	11.0195	-0.2	11.0241	-0.2	11.0474	-0.3	82.3
Switzerland	(SFr)	1.8075	-0.0061	065 - 085	1.8206	1.7950	1.8004	4.7	1.7886	4.2	1.7356	4.0	116.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.6
Ecu	-	1.2229	-0.0088	223 - 234	1.2312	1.2212	1.2218	1.1	1.2196	1.1	1.2102	1.0	-
SDR†	-	1.058000	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5845	+0.0045	842 - 848	1.5885	1.5808	-	-	-	-	-	-	-
Brazil	(R$)	1.5185	+0.0035	181 - 189	1.5229	1.5157	-	-	-	-	-	-	-
Canada	(C$)	2.1165	+0.0109	158 - 172	2.1187	2.1082	2.1156	0.5	2.1153	0.2	2.1205	-0.2	85.5
Mexico	(New Peso)	10.3843	+0.0334	468 - 818	10.3908	10.3468	-	-	-	-	-	-	-
USA	($)	1.5848	+0.0039	845 - 850	1.5888	1.5810	1.5835	1.0	1.5816	0.8	1.5716	0.8	92.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0763	-0.0004	753 - 773	2.0773	2.0742	2.0778	-0.8	2.0804	-0.8	2.0952	-0.9	87.0
Hong Kong	(HK$)	12.2520	+0.0281	493 - 547	12.2844	12.2259	12.2485	0.3	12.2361	0.5	12.2025	0.4	-
India	(Rs)	53.6516	+0.061	195 - 840	53.8550	53.6195	-	-	-	-	-	-	-
Israel	(Shk)	4.7497	-0.0059	453 - 540	4.7658	4.7453	-	-	-	-	-	-	-
Japan	(Y)	158.951	-0.32	846 - 055	160.420	158.110	158.036	6.9	156.426	6.4	149.501	5.9	143.1
Malaysia	(M$)	4.0190	+0.0091	175 - 204	4.0262	4.0137	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3898	+0.0027	881 - 914	2.3915	2.3874	2.3958	-3.0	2.405	-2.5	2.4308	-1.7	99.6
Philippines	(Peso)	41.1322	+0.204	861 - 783	41.1783	41.1976	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9437	+0.0147	424 - 449	5.9596	5.9299	-	-	-	-	-	-	-
Singapore	(S$)	2.2602	+0.0019	590 - 613	2.2666	2.2584	-	-	-	-	-	-	-
South Africa	(R)	5.7879	-	858 - 900	5.8092	5.7841	-	-	-	-	-	-	-
South Korea	(Won)	1215.90	+0.86	563 - 617	1219.73	1214.56	-	-	-	-	-	-	-
Taiwan	(T$)	42.6179	+0.0946	072 - 286	42.7202	42.5269	-	-	-	-	-	-	-
Thailand	(Bt)	39.7693	+0.0662	472 - 914	39.9380	39.6830	-	-	-	-	-	-	-

† Rates for Oct 6. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.9355	-0.1049	330 - 379	9.9750	9.9000	9.9204	1.8	9.8902	1.8	9.781	1.6	107.1
Belgium	(BFr)	29.0685	-0.3215	620 - 750	29.3270	28.9690	29.0275	1.7	28.9485	1.7	28.6485	1.4	109.1
Denmark	(DKr)	5.4940	-0.057	925 - 955	5.5370	5.4695	5.4947	-0.2	5.4905	0.3	5.5	-0.1	109.4
Finland	(FM)	4.2763	-0.0359	733 - 792	4.3113	4.2538	4.2759	0.1	4.2748	0.1	4.2703	0.1	87.4
France	(FFr)	4.9575	-0.0574	565 - 585	4.9926	4.9525	5.0428	-20.7	4.9527	0.4	4.9405	0.3	108.2
Germany	(DM)	1.4119	-0.0151	116 - 122	1.4262	1.4050	1.4097	1.9	1.4053	1.9	1.3868	1.8	111.7
Greece	(Dr)	232.640	-2.025	590 - 690	234.650	231.650	234.365	-8.9	237.565	-8.5	251.04	-7.9	66.7
Ireland	(I£)	1.6140	+0.0035	135 - 145	1.6190	1.6095	1.6142	-0.1	1.6143	-0.1	1.6206	-0.4	-
Italy	(L)	1607.25	-10.1	650 - 800	1612.40	1604.25	1614	-5.0	1626.05	-4.7	1683.25	-4.7	69.3
Luxembourg	(LFr)	29.0685	-0.3215	620 - 750	29.3270	28.9690	29.0275	1.7	28.9485	1.7	28.6485	1.4	109.1
Netherlands	(Fl)	1.5819	-0.0186	816 - 821	1.5917	1.5745	1.5793	2.0	1.5742	2.0	1.5542	1.8	109.0
Norway	(NKr)	6.2414	-0.0651	384 - 443	6.3135	6.2100	6.2376	0.7	6.2314	0.6	6.2214	0.3	98.5
Portugal	(Es)	148.570	-1.56	520 - 620	149.940	147.510	149.035	-3.8	150.045	-4.0	154.67	-4.1	95.6
Spain	(Pta)	122.720	-1.09	670 - 770	123.540	122.400	123.1	-3.7	123.87	-3.7	127.365	-3.6	80.5
Sweden	(SKr)	6.9521	-0.0772	475 - 566	7.0168	6.9258	6.9695	-3.0	7.0061	-3.1	7.1746	-3.2	81.5
Switzerland	(SFr)	1.1406	-0.0079	401 - 410	1.1490	1.1319	1.137	3.6	1.1309	3.4	1.1031	3.3	115.7
UK	(£)	1.5848	+0.0039	845 - 850	1.5888	1.5810	1.5835	1.0	1.5816	0.8	1.5716	0.8	84.4
Ecu	-	1.2960	+0.0122	956 - 963	1.2985	1.2890	1.2964	-0.4	1.2971	-0.3	1.2994	-0.3	-
SDR†	-	0.66720	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0004	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9582	-0.0002	581 - 583	0.9594	0.9581	-	-	-	-	-	-	-
Canada	(C$)	1.3356	+0.0036	353 - 358	1.3358	1.3320	1.336	-0.4	1.3374	-0.5	1.3476	-0.9	84.9
Mexico	(New Peso)	6.5400	+0.005	300 - 500	6.5500	6.5300	6.5423	-0.4	6.5454	-0.3	6.5503	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3101	-0.0034	098 - 106	1.3120	1.3072	1.3119	-1.6	1.3155	-1.6	1.3352	-1.9	88.1
Hong Kong	(HK$)	7.7312	-0.0013	307 - 317	7.7322	7.7307	7.7328	-0.2	7.7347	-0.2	7.755	-0.3	-
India	(Rs)	33.8550	-0.045	400 - 700	33.9200	33.8400	34.005	-5.3	34.31	-5.4	35.78	-5.7	-
Israel	(Shk)	2.9971	-0.0112	948 - 994	3.0103	2.9934	-	-	-	-	-	-	-
Japan	(Y)	100.300	-0.45	250 - 350	101.400	99.7600	99.805	5.9	98.885	5.6	95.01	5.3	143.1
Malaysia	(M$)	2.5360	-0.0005	355 - 365	2.5385	2.5335	2.536	0.0	2.5364	-0.1	2.544	-0.3	-
New Zealand	(NZ$)	1.5078	-0.0021	072 - 088	1.5101	1.5052	1.5119	-3.3	1.5194	-3.1	1.5441	-2.4	-
Philippines	(Peso)	25.9550	+0.065	300 - 800	25.9800	25.9300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7505	3.7511	-0.2	3.7519	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4262	-0.0023	257 - 267	1.4280	1.4250	1.4227	2.9	1.4164	2.7	1.3917	2.4	-
South Africa	(R)	3.6523	-0.009	515 - 530	3.6560	3.6515	3.6776	-8.3	3.7276	-8.3	3.9588	-8.4	-
South Korea	(Won)	767.250	-1.35	200 - 300	768.300	767.100	770.25	-4.7	773.75	-3.4	792.25	-3.3	-
Taiwan	(T$)	26.8825	-0.0065	900 - 950	26.9070	26.8550	26.9125	-0.9	26.9525	-0.9	-	-	-
Thailand	(Bt)	25.0950	-0.02	850 - 050	25.1500	25.0650	25.1825	-4.2	24.83	4.2	26.05	-3.8	-

† SDR rate per $ for Oct 6. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 6. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 9	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅛	4⅜	4¼	4⅜	4½	8.00	3.50	-
week ago	4	4⅜	4¼	4⅝	4⅞	8.00	3.50	-
France	5⅝	7⅝	7	6⅞	6¾	5.00	-	7.25
week ago	5⅝	7⅛	6¾	6¼	6⅝	5.00	-	6.15
Germany	4⅜	4	4	4	4	5.50	3.50	4.05
week ago	4⅛	4	4⅛	4⅛	4⅛	5.50	3.50	4.08
Ireland	5⅝	[illegible]	[illegible]	[illegible]	6⅛	-	-	6.25
week ago	5⅝	[illegible]	[illegible]	[illegible]	6⅛	-	-	6.25
Italy	10⅝	[illegible]	10⅝	[illegible]	10¾	-	9.00	10.36
week ago	[illegible]	[illegible]	[illegible]	10⅝	10¾	-	9.00	10.29
Netherlands	[illegible]	3⅞	[illegible]	[illegible]	[illegible]	-	3.50	3.90
week ago	3⅞	3⅞	3⅞	3⅞	4	-	3.50	3.90
Switzerland	1½	2⅛	2¼	2¼	2¼	5.00	2.00	-
week ago	[illegible]	2⅛	[illegible]	[illegible]	[illegible]	5.00	2.00	-
US	5⅝	[illegible]	[illegible]	[illegible]	6	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	5⅞	[illegible]	-	5.25	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	½	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-

■ $ LIBOR FT London

	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Interbank Fixing	-	5⅞	[illegible]	[illegible]	5⅞	-	-	-
week ago	-	5⅞	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.61	5.60	5.60	5.64	-	-	-
week ago	-	5.61	5.60	5.60	5.71	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	5⅞	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4¼ - 4⅛	4¼ - 4⅛	[illegible]	4⅜ - 4¼	4½ - 4⅜	[illegible]
Danish Krone	6½ - 6¼	5½ - 5¼	5⅞ - 5⅝	[illegible]	6 - 4¾	6 - 5¾
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	6 - 5½	7½ - 6½	7¾ - 7⅜	8⅛ - 7⅛	7⅜ - 6⅞	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	9⅜ - 9¼	[illegible]	9¾ - 9⅝
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9¾ - 9⅝
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	2¼ - 2⅛	[illegible]	[illegible]	[illegible]
Can. Dollar	6⅛ - [illegible]	[illegible] - 6	6¼ - 6⅛	[illegible]	[illegible]	6½ - 6⅜
US Dollar	5¾ - 5½	[illegible]	5⅞ - [illegible]	[illegible]	5⅞ - 5¾	5⅞ - 5¾
Italian Lira	[illegible]	10⅝ - 10¼	[illegible]	[illegible]	[illegible]	[illegible]
Yen	½ - [illegible]	½ - ⅜	⅜ - ¼	[illegible]	¼ - ⅛	⅝ - ½
Asian $Sing	3¾ - 3⅝	3 - 2⅞	[illegible]	3 - 2⅞	3 - 2⅞	3⅛ - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.75	92.65	-0.35	92.91	92.55	143,683	39,139
Mar	93.77	93.71	-0.21	93.85	93.55	31,177	29,334
Jun	94.27	94.20	-0.10	94.33	94.15	14,016	21,022

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.06	96.09	+0.03	96.10	96.06	8331	144126
Mar	96.16	96.20	+0.03	96.22	96.16	17258	160108
Jun	96.07	96.10	+0.02	96.13	96.06	12552	119704
Sep	95.67	95.88	+0.02	95.91	95.87	6914	86744

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.28	89.26	-0.14	89.32	89.20	8019	34748
Mar	89.67	89.66	-0.10	89.70	89.60	1683	23534
Jun	89.78	89.81	-0.06	89.83	89.77	536	12857
Sep	89.75	89.83	-0.04	89.82	89.75	165	7774

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.68	97.68	-	97.72	97.67	2434	23785
Mar.	97.80	97.78	-	97.82	97.78	1698	15176
Jun	97.69	97.68	+0.01	97.72	97.68	482	5138
Sep	97.48	97.49	+0.01	97.50	97.48	65	2750

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.12	94.11	-0.06	94.15	94.05	1253	7432
Mar	94.29	94.35	-0.05	94.42	94.29	353	4196
Jun	94.32	94.38	-0.03	94.42	94.32	83	2550
Sep	94.17	94.23	-0.01	94.24	94.17	57	1489

* LIFFE futures also traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.23	94.23	-0.01	94.23	94.22	100,023	416,462
Mar	94.39	94.38	-0.02	94.39	94.38	170,659	364,026
Jun	94.36	94.35	-0.02	94.36	94.34	91,539	249,897

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.76	94.76	-0.01	94.76	94.76	688	13,422
Mar	94.85	94.85	-0.02	94.85	94.85	275	3,359
Jun	-	94.87	-0.01	-	-	9	149

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9600	0.10	0.12	0.15	0.32	0.01	0.03	0.06	0.12
9625	0	0.02	0.05	0.16	0.16	0.18	0.21	0.21
9650	0	0	0.02	0.07	0.41	0.41	0.43	0.37

Est. vol. total, Calls 7874 Puts 2845. Previous day's open int., Calls 235049 Puts 225806

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9750	0.23	0.36	0.36	0.05	0.08	0.20
9775	0.08	0.20	0.23	0.15	0.17	0.30
9800	0.03	0.08	0.12	0.35	0.30	0.44

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5125 Puts 800

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
8825	0.42	0.82	1.02	0.41	0.41	0.46
8850	0.29	0.67	0.86	0.53	0.51	0.55
8875	0.19	0.53	0.72	0.68	0.62	0.66

Est. vol. total, Calls 25 Puts 40. Previous day's open int., Calls 12574 Puts 5924

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 9		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.90	17.05	4.856	2.132	5529	5.442	21.47	511.0	422.2	23.92	3.922	2.171	4.593	3.440	344.9	2.655
Denmark	(DKr)	52.91	10	9.023	2.569	1.128	2925	2.879	11.36	270.4	223.4	12.66	2.075	1.149	2.430	1.820	182.5	1.405
France	(FFr)	58.64	11.08	10	2.848	1.250	3242	3.191	12.59	299.6	247.6	14.03	2.300	1.273	2.693	2.018	202.3	1.557
Germany	(DM)	20.59	3.892	3.512	1	0.439	1139	1.121	4.422	105.2	86.95	4.926	0.808	0.447	0.946	0.709	71.03	0.547
Ireland	(I£)	46.91	8.867	8.000	2.278	1	2594	2.553	10.07	239.7	198.1	11.22	1.840	1.018	2.155	1.614	161.8	1.245
Italy	(L)	1.809	0.342	0.308	0.088	0.039	100.	0.098	0.388	9.242	7.636	0.433	0.071	0.039	0.083	0.062	6.239	0.048
Netherlands	(Fl)	18.38	3.473	3.134	0.892	0.392	1016	1	3.945	93.90	77.58	4.396	0.721	0.399	0.844	0.632	63.38	0.488
Norway	(NKr)	46.58	8.803	7.943	2.262	0.993	2575	2.535	10	238.0	196.6	11.14	1.827	1.011	2.139	1.602	160.7	1.236
Portugal	(Es)	19.57	3.699	3.337	0.950	0.417	1082	1.065	4.202	100.	82.63	4.681	0.768	0.425	0.899	0.673	67.50	0.520
Spain	(Pta)	23.69	4.477	4.039	1.150	0.505	1310	1.289	5.085	121.0	100.	5.666	0.929	0.514	1.088	0.815	81.70	0.629
Sweden	(SKr)	41.81	7.901	7.129	2.030	0.891	2311	2.275	8.975	213.6	176.5	10	1.640	0.907	1.920	1.438	144.2	1.110
Switzerland	(SFr)	25.50	4.818	4.348	1.238	0.543	1410	1.387	5.474	130.3	107.6	6.099	1	0.553	1.171	0.877	87.94	0.677
UK	(£)	46.07	8.707	7.856	2.237	0.982	2547	2.507	9.891	235.4	194.5	11.02	1.807	1	2.116	1.585	158.9	1.223
Canada	(C$)	21.77	4.115	3.713	1.057	0.464	1204	1.185	4.674	111.2	91.92	5.208	0.854	0.473	1	0.749	75.09	0.578
US	($)	29.07	5.493	4.956	1.411	0.620	1607	1.582	6.240	148.5	122.7	6.953	1.140	0.631	1.335	1	100.3	0.772
Japan	(Y)	28.99	5.480	4.944	1.408	0.618	1603	1.578	6.225	148.1	122.4	6.935	1.137	0.629	1.332	0.997	100.	0.770
Ecu		37.67	7.119	6.424	1.829	0.803	2083	2.050	8.087	192.5	159.0	9.011	1.478	0.818	1.730	1.296	129.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

EMS EUROPEAN CURRENCY UNIT RATES

Oct 9	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.09327	-0.00157	-2.74	6.27	20
Belgium	39.3960	38.4659	-0.0356	-2.36	5.86	17
Germany	1.91007	1.86835	-0.00154	-2.18	5.67	22
Austria	13.4383	13.1464	-0.0113	-2.17	5.65	16
Denmark	7.28580	7.26764	-0.01047	-0.25	3.62	2
Spain	162.493	162.348	-0.115	-0.09	3.45	1
Portugal	195.792	196.575	-0.243	0.40	2.95	-3
France	6.40608	6.55885	+0.01013	2.38	0.98	-20
Ireland	0.792214	0.818830	+0.001752	3.36	0.00	-23
NON ERM MEMBERS						
Greece	292.867	307.542	-0.246	5.01	-1.57	-
Italy	2106.15	2122.46	-2.72	0.77	2.57	-
UK	0.786652	0.834287	+0.002161	6.06	-2.54	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7040	0.7102	+0.0045	0.7145	0.7037	25,541	48,855
Mar	0.7140	0.7134	+0.0032	0.7140	0.7119	234	2,460
Jun	-	0.7150	-	0.7150	-	1	68

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9979	1.0110	+0.0065	1.0138	1.0000	19,881	58,607
Mar	1.0232	1.0250	+0.0029	1.0250	1.0217	368	8,700
Jun	-	1.0324	-	-	-	10	319

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8775	0.8822	+0.0031	0.8895	0.8768	18,687	33,188
Mar	0.8860	0.8897	+0.0023	0.8897	0.8860	227	2,065
Jun	-	0.8965	-	0.8965	-	8	51

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5850	1.5828	+0.0016	1.5850	1.5800	7,089	31,192
Mar	-	1.5800	-	1.5810	-	2	118
Jun	-	1.5770	-	1.5770	-	14	10

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.540	4.26	4.58	5.06	-	0.45	0.98
1.550	3.29	3.78	4.37	-	0.65	1.27
1.560	2.43	3.05	3.71	0.08	0.85	1.61
1.570	1.62	2.45	3.12	0.27	1.20	2.01
1.580	0.98	1.89	2.84	0.60	1.63	2.24
1.590	0.49	1.42	2.58	1.14	2.17	2.47

Previous day's vol., Calls 15,724 Puts 20,984 . Prev. day's open int., Calls 261,845 Puts 291,785

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

UK INTEREST RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.37	93.29	-0.10	93.38	93.29	12885	88717
Mar	93.45	93.35	-0.14	93.46	93.34	21117	60909
Jun	93.43	93.29	-0.17	93.43	93.29	13818	47427
Sep	93.25	93.13	-0.18	93.26	93.12	5408	34270
Dec	93.04	92.93	-0.18	93.06	92.92	2900	26842

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9325	0.18	0.35	0.46	0.14	0.25	0.42
9350	0.07	0.22	0.33	0.28	0.37	0.54
9375	0.02	0.13	0.23	0.48	0.53	0.69

Est. vol. total, Calls 2514 Puts 1332. Previous day's open int., Calls 134631 Puts 123022

LONDON MONEY RATES

Oct 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¾ - 5	6¾ - [illegible]	6¾ - 6⅝	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible] - 6⅝	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	6⅝ - [illegible]	-	-
Bank Bills	-	-	[illegible] - 6⅝	6⅝ - [illegible]	[illegible] - 6½	-
Local authority deps.	[illegible]	[illegible]	[illegible] - 6⅝	[illegible] - 6⅝	[illegible]	[illegible]
Discount Market deps	6¾ - 6¼	6¾ - 6⅝	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5⅜	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.5775pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 25, 1995 to Nov 25, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 5.795pc. Finance House Base Rate 7pc from October 1, 1995

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Barings 8pc Cm 2nd Prf.		50½#	----	98	50¼	6.81	19.8	-
9¼pc Non-Cum Prf		4½#	----	118½	3	1.90	-	-
Cater Allen	♣v	484	+1	526	418	157.8	7.5	7.3
Close Bros	♣qv	312xd	-¼	*340½	216¼	374.7	3.5	Φ
Gerrard & Nat	♣v	448	----	480	395	218.8	6.3	14.5
Hambros	v□	213	+5	283	180	377.2	4.4	63.7
7½pc Cv Pf		103½	-½	112	94	133.3	9.1	-
Joseph (L)	♣v	443	----	463	353	23.5	5.0	24.7
King & Shaxson	♣v	136	-1	145	85	35.0	8.3	10.6
Rea Brothers	♣v	49	----	67	45	22.4	2.7	18.4
Schroders	♣†tv□	1335xd	-3	*1478	906¼	2,015	1.3	19.0
N/V	†tv	1129xd	+1	*1180	823¼	462.8	1.6	16.0
Singer & Fried	♣†v□	108xd	----	110	81	212.4	4.3	11.2
Union	♣v□	113	+1	121	70	38.1	3.3	-
Wintrust	♣v	295	----	295	200	25.1	4.8	16.9

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
BCE	19	-½	20½	12	41.3	0.4	Φ
BS	143	—	183	129	8.67	2.7	18.4
Baldwin	148xd	+2	188	111	28.3	3.7	11.9
Bar & Wallace Arnold Tst	217xd	—	*236	197	32.3	6.3	11.5
Bluebird Toys	289	+8	293	202	129.1	4.0	8.4
Boosey & Hawkes	408xd	—	426	339	80.2	1.7	25.0
Break for the Border	58	-1	61	42	13.6	3.2	11.0
Brent Walker	1¼	—	3¾	1¼	6.44	-	-
Burndene	42	+1	46	33	44.4	5.7	14.3
Capital Corp	194xd	+4	202	127	194.0	6.2	18.8
Cassles	7½	—	20½	5½	7.67	6.7	-
For Cassidy Bros see AIM (section)							
CourseGold	89	—	116	38	29.2	2.9	-
Chrysalis	308	+5	398	246	82.2	-	-
City Centre	83xd	-½	97	70½	179.8	2.7	16.0
Compass	434	-7	447	305	1,344	2.0	22.6
Courtyard Leis	12	—	17	7½	1.73	-	Φ
David Lloyd	389	—	480	240	189.7	1.2	29.2
Euro Disney FFr	212	-4	280	118	1,821	-	-
Eurocamp	284	—	288	210	78.1	5.7	11.0
European Leis	168	—	179	93	22.3	-	Φ
Fairline Boats	359	—	450	358	12.6	5.8	14.5
Farringford	20	—	20	3½	5.24	-	-
First Choice	70xd	—	124	65	110.6	7.2	13.0
9¾p Cv Pf	121	+1	201	118	29.4	10.1	-
First Leisure	323xd	—	345	282	529.4	2.8	19.2
Forte	239xd	-¼	276	224½	2,283	3.9	27.2
Friendly Hotels	142	-1	175	133	28.3	5.1	16.4
Games Workshop	229xd	+1	246	128	71.1	2.6	Φ
Granada	658	+8	663	476	3,885	2.0	17.9
7½p Cv Pf	230	+1½	282	173½	403.6	4.1	-
Groupe Chez Gerard	158	-1	166	108	29.5	1.9	Φ
Gus Carter	82	—	88	62	8.81	-	17.0
Hanover Intl	135	—	136	103	1.42	-	-
Hi-Tec Sports	28	—	38	16	14.2	5.7	Φ
Hornby	147	—	158	95	12.2	4.3	12.8
Inspirations	118	—	136	108	37.4	4.4	7.5
Jurys Hotel IE	219	—	223½	134	93.0	3.3	20.0
Kunick	28¼	-½	29½	14¼	48.3	4.5	22.6
8¼p Cv Pf	89	—	97	86½	35.6	11.6	-

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OIL, INTEGRATED - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

Notes	Price	+ or -	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	£31⅛	—	£34	£29	2,109	2.6	Φ
Barlow	£7¼	—	£7¼	£4.9	1,449	1.3	25.7
Gold Flds Prop R	142xd	—	182	116	14.8	7.3	6.5
NK Props	85	—	95	85	3.46	13.5	-
SASOL	514	—	645	435	3,009	2.6	-
SA Brews	£19⅞	—	£20	£12⅞	5,670	1.7	Φ
Standard Bank	£21⅝	+⅛	£22⅝	£20⅛	2,081	2.1	15.3
Tiger Oats	915	—	960	700	1,375	1.8	22.3
Tongaat-Hulett †h	783	—	835	636	713.8	1.8	23.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on UMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ *Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.*
- ♣ *Free annual/interim report available, see details below.*
- ✱ USM: not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
k Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Prices for dealing October 9

Jupiter Tyndall (Bermuda) Ltd
PO Box HM 1256, Hamilton, Bermuda 001 809 292 2760

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Latest Fund Prices 24hr service 01481 718043

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
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ANZ Mngmt Co (Guernsey) Ltd

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Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

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IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

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LUXEMBOURG (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

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LONDON STOCK EXCHANGE

MARKET REPORT

Wall Street slide hits sentiment in equity market

By Steve Thompson,
UK Stock Market Editor

It was bids, bids and more bids in the UK equity market yesterday. But not even the prospect of a near £5bn offer for TSB could hold up a market affected by renewed turbulence in European currencies and a steep fall on Wall Street when it opened for business.

There was yet more worrying data on the UK economy and disturbing news for the Conservative party as its annual conference got under way in Blackpool yesterday, with the defection of Mr Alan Howarth, a former minister, to the Labour Party was seen as a serious blow.

By the end of an erratic trading session, the FT-SE 100 index was looking increasingly likely to dip back below the 3,500 mark in the short term and showing a 16.2 fall at 3,510.3.

The FT-SE Mid 250 index underperformed the senior FT-SE index, sliding 25.9 to 3,953.1, despite strong showings by two of the regional electricity stocks, Northern and Norweb. An increased offer for the latter from North West Water is expected by the end of the week.

But it was the latest burst of actual and rumoured bid stories that captured the market's attention. The day began with the news that Lloyds Bank and TSB were engaged in discussions which, they said, could lead to a merger.

The merger news, plus an increased offer by Arco, the US oil company, for Aran energy, the North Sea exploration company, plus the prospect of more bids this week, drove share prices sharply higher at the outset of trading.

The market's early ebullience proved short-lived, however. A renewed bout of pressure on the franc, coupled with widespread disturbence across international bond markets, saw the FT-SE 100 drop into negative territory within an hour of the opening.

The first of the week's economic data, producer input and output numbers, came as a disappointment to economists and were instrumental in unsettling markets. Input prices in September rose 0.9 per cent, against a consensus figure of a rise of 0.2 per cent, while output prices were up 0.2 per cent, in line with most forecasts. The increase in input numbers was said to have lessened the prospects of an early cut in UK interest rates.

With Wall Street coming in sharply lower and down around 50 points shortly after the opening, the level at which programme trading is automatically prohibited, the FT-SE fell away to record a session low of 3,504.6, before staging a minor rally towards the close.

Gains in the day's bid stocks, Lloyds Bank, TSB, Cadbury Schweppes and Standard Chartered, were worth 13 points on the FT-SE 100 and in Lloyds and TSB alone were worth 9 FT-SE 100 points.

Marketmakers said the Lloyds/TSB news came "out of the blue"; a reference to the Monopolies and Mergers Commission was said to be a possibility as was the chances of a counter bid.

Turnover in equities was described as disappointing. By 6pm it was 744.3m shares, although that figure included 101m shares traded in Orb Estates, one of the market's minnows.

FT-SE-A All-Share index

1,760 · 1,740 · 1,720 · 1,700
Aug · Sep · Oct
1995
Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover

1,000 · 800 · 600 · 400 · 200 · 0
Aug · Sep · Oct
1995

Indices and ratios

FT-SE 100	3510.3	-16.2
FT-SE Mid 250	3953.1	-25.9
FT-SE-A 350	1754.5	-8.9
FT-SE-A All-Share	1735.05	-8.33
FT-SE-A All-Share yield	3.84	(3.83)
FT Ordinary Index	2596.2	-16.7
FT-SE-A Non Fins p/e	16.89	(17.07)
FT-SE 100 Fut Dec	3523.0	-28.0
10 yr Gilt yield	8.12	(8.05)
Long gilt/equity yld ratio:	2.18	(2.19)

Best performing sectors

1 Banks, Retail .... +2.2
2 Food Producers .... +0.9
3 Water .... +0.1
4 Breweries .... +0.1
5 Diversified Indls. .... -0.0

Worst performing sectors

1 Telecommunications .... -1.8
2 Electronic & Elec. Eq. .... -1.6
3 Tobacco .... -1.5
4 Insurance .... -1.4
5 Oil, Integrated .... -1.4

Bid buzz boosts banks

Marketmakers have cried wolf over a possible bid for TSB for so long that when Lloyds Bank made its announcement yesterday it came as a shock.

But, as soon as it happened, banking analysts were evaluating the implications for the sector.

The main prospects were, first, that a counter bidder could emerge and, second, that rivals Royal Bank of Scotland and Standard Chartered would be the next in line for offers.

The price offered by Lloyds values TSB at around two-and-a-half times net asset value. While some analysts see that as relatively high, there is a possibility for huge cost cutting. They believe that because of high staff turnovers within the industry, jobs could be lost through natural wastage thus avoiding big redundancy payouts.

Mr John Aitken of UBS commented: "If it is a good deal for Lloyds, one is disposed to think it is a good deal for others."

HSBC, which bought out Midland, is seen as the obvious candidate to raise the takeover temperature. And, while foreign banks might not benefit from the cost cutting potential, they have been eyeing the profitable UK sector for some time.

Royal Bank of Scotland is arguably the last remaining affordable UK clearer while Standard is the only affordable way into the Asian economies.

TSB shares shot forward 79 to 353p to reflect the merger terms and turnover hit 42m. Lloyds rose 21 to 726p on turnover of 14m. HSBC fell 5 to 920p in the ordinaries, Royal Bank of Scotland jumped 20 to 484p and Standard Chartered 13¼ to 466p.

Cadbury active

Confectionary group Cadbury Schweppes was another strong feature as the market reacted to a report suggesting it would soon be on the receiving end of a bid from Unilever.

However, analysts swiftly dismissed talk that the Anglo-Dutch foods, detergents and personal products giant was about to launch a bid for Cadbury. Ms Sally Jones at Credit Lyonnais said: "Such a bid would not fit in with Unilever's strategic thinking, especially as the company has said its focus is to be in emerging markets areas. Plus, such a move would cost a lot and take up management time."

But buyers of the stock remained undetered and the shares in the UK group closed 30 ahead to 527p, after trade of 8.3m with one market participant saying "few believe a bid is on the way from Unilever but people are buying the stock saying if this is a bid play, then we must be in it."

The stock was also heavily dealt in the traded options sector where the equivalent of 3m shares had been traded by the close. US buyers were said to have been chasing stock last week and there were hints of continuing US interest yesterday.

Shares in Unilever followed the market lower closing 4 off at 1252p after trade of 1.4m.

When a regional electricity company shares go up the easy answer is 'bid target'. But Northern was boosted by a slightly more complicated piece of mathamatics involving the National Grid.

Owned by the 12 Recs of England and Wales, it is due to be floated before the end of the year and expected to raise around £3.5bn.

Much of this has been factored in and now represents around 21 per cent of the Recs' capitalisation.

However, Hoare Govett calculates that because of Northern's recent share consolidation and special dividend, a full 27 per cent of its capitalisation represents the National Grid, thus giving investors far greater exposure to the flotation. Northern shares jumped 19 to 815p.

Elsewhere in the sector, Norweb gained 10 to 1093p in anticipation of a raised offer from North West Water, steady at 601p.

Cable TV groups accounted for three of the bottom four places in the FT-SE Mid 250 rankings as worries about competition in an industry that has yet to show real growth drive got the better of the sector.

TeleWest Communications tumbled more than 8 per cent, falling 15½ to 169½p in 1.9m traded. General Cable shed 13 to 194p and NYMEX lost 8 to 127p. Both TeleWest and NYMEX are now at substantial discounts to their flotation prices.

After its recent strong run – TeleWest had outpaced the market as a whole by 14 per cent up to the close on Friday – the sector was said to have been ripe for a bout of technical profit-taking.

But there were also suggestions that the threat of competitive pressure was being taken more seriously.

The apparent deal between BT and the Labour party, granting the telecoms giant access to the cables business, showed signs yesterday of finally getting a grip on analysts imaginations.

Airports group BAA stayed out of favour as talk of a stock overhang exacerbated recent weakness for the shares.

Some dealers said a line of 2m had been offered around the market in advance of this Thursday's traffic figures.

The shares, which stood at 535p in mid September, have lagged the market as a whole by 7 per cent over the past month and have stood out in recent days as one of the less fancied Footsie stocks. They closed 16 lower at 475p in 2.8m traded.

UBS raised its Eurotunnel loss estimate by £100m to £900m for this year and the Channel tunnel operator came off 6¼ to 86p.

Dry cleaner Sketchley burst upwards to a new 1995 high, advancing 10 per cent in 4.1m shares traded.

Dealers instantly linked in the group with takeover speculation and business services group BET and cleaning rival Johnson Group Cleaners were put forward as potential predators.

But one sector watcher thought a foreign buyer a more likely option. The shares closed up 13 at 143p for a stock market capitalisation of £85m.

Fears for an earlier than anticipated downturn in the steel cycle continued to depress British Steel. The shares were backmarker in the Footsie rankings, falling 6¼ to 167¼p in 21m traded.

Leading oil stocks were restrained by the weakness in crude oil prices. With Brent for November and December trading below $16 a barrel BP fell 10¼ to 479p, Burmah 15 to 981p and Shell Transport 6 to 751p.

Recurring takeover speculation lifted Zeneca 14 to 1177p, a new closing high.

The talk was revived by one Sunday newspaper but analysts said that, at current levels, a bidder would need to find around $25bn and very few companies had the will or ability to come up with that kind of cash.

Meanwhile, news that Zeneca had signed a collaboration deal with Celltech, a biotech group, helped the latter rise 5 to 462p.

Computer stocks produced a number of features. Azlan Group surged for the second successive session following deal news and Misys pushed ahead on the back of a positive note and US road show by Cazenove.

FINANCIAL TIMES EQUITY INDICES

	Oct 9	Oct 6	Oct 5	Oct 4	Oct 3	Yr ago	*High	*Low
Ordinary Share	2596.2	2612.9	2625.4	2627.3	2613.7	2338.9	2666.5	2238.3
Ord. div. yield	4.13	4.10	4.08	4.08	4.10	4.41	4.73	4.02
P/E ratio net	15.61	15.73	15.81	15.82	15.73	17.88	21.33	15.47
P/E ratio nil	15.43	15.54	15.62	15.63	15.55	18.32	22.21	15.25

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2617.9	2609.0	2605.9	2599.7	2598.8	2599.2	2595.2	2593.7	2593.3	2618.1	2591.0

	Oct 9	Oct 6	Oct 5	Oct 4	Oct 3	Yr ago
SEAQ bargains	33,133	28,058	28,244	27,769	29,461	22,921
Equity turnover (£m)†	-	1563.6	1944.5	1931.1	2033.2	1022.0
Equity bargains†	-	34,012	33,251	33,675	35,784	26,909
Shares traded (mil)†	-	648.7	776.8	775.3	580.4	440.7

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	428	Total Highs	92	Total contracts	27,844
Total Falls	930	Total Lows	45	Calls	17,134
Same	1,544			Puts	10,710

Oct. 9 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3555.0	3523.0	-28.0	3555.0	3520.0	10668	64314
Mar	3568.0	3556.0	-28.0	3568.0	3568.0	10	2303
Jun		3560.0	-28.0			0	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3960.0	-25.0			0	3538

■ FT-SE 100 INDEX OPTION (LIFFE) (*3504) £10 per full index point

	3350 C	3350 P	3400 C	3400 P	3440 C	3440 P	3500 C	3500 P	3550–3700
Oct	154½	4½	106½	7	64½	14	32	32	[illegible]
Nov	178	16½	136½	25½	99½	39	69½	58½	[illegible]
Dec	199	28½	162	42	127	57½	96½	77	[illegible]
Jan			182½	54½			120½	93	[illegible]
Jun†			252½	107			192½	145½	[illegible]

Calls 1,952 Puts 1,385

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525–3675
Oct	176½	3	129	5	84	10½	46	22	[illegible]
Nov	195½	10	152	15½	112½	28½	78½	42	[illegible]
Dec	222½	27½	182	36	143	48½	108½	61	[illegible]
Mar	275½	51			201½	74½			[illegible]
Jun†	297½	74			233	104½			[illegible]

Calls 686 Puts 788 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
50	F.P.	14.3	71	50	Consolidated Coal	65	+1	-	-	-	-
-	F.P.	5.62	125	120	†Euro Sales Fin	125		-	-	-	-
-	F.P.	0.72	28	22	German Sml Wts	22		-	-	-	-
-	F.P.	5.70	40	25	Hay & Robertson	38	-1	v-	-	-	-
-	F.P.	11.9	80	68	†Inner Workings	71		-	-	-	-
65	F.P.	16.9	89	84	Mayflower	88		Zv0.67	2.6	1.0	50.2
45	F.P.	17.6	61	52	†MultiMedia	61		v-	-	-	-
-	F.P.	19.3	105	100	Murray Vct	105		-	-	-	-
-	F.P.	5.37	96	70	†Omnicare	87	-1	Hv1.5	4.0	2.2	14.5
-	F.P.	14.4	61	60	Pemberstone	60		v-	-	-	-
100	F.P.	30.5	104	99	Pictet British	102		-	-	-	-
400	F.P.	3.62	400	400	†Preston Nth End	400		v-	-	-	-
125	F.P.	12.7	133	6½	†SCS Satellite	123	-5	-	-	-	-
149	F.P.	49.4	184	168	Universal Salvage	184	+1	Mv5.07	1.7	3.4	21.3
-	F.P.	-	½	½	Upton & Sthn Wts	½		-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 6	% chg on day	Oct 5	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1953.07	+0.1	1951.83	2247.50	1.92	-	2304.73	1637.91
■ Regional Indices								
Africa (16)	2687.81	-1.2	2719.65	3490.25	4.03	24.78	3711.87	2428.19
Australasia (6)	2362.12	+0.3	2355.63	2806.18	2.15	25.95	2951.49	1788.20
North America (12)	1684.69	+0.7	1673.65	1797.72	0.80	48.31	1831.00	1348.18

FT - SE Actuaries Share Indices — The UK Series

	Oct 9	Day's chge%	Oct 6	Oct 5	Oct 4	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3510.3	-0.5	3526.5	3544.4	3544.1	3032.3	4.02	2.07	15.01	121.17	1390.75
FT-SE Mid 250	3953.1	-0.7	3979.0	3991.3	3983.8	3482.8	3.45	1.85	19.55	115.56	1537.45
FT-SE Mid 250 ex Inv Trusts	3978.5	-0.6	4003.8	4018.1	4010.4	3478.0	3.59	1.91	18.28	120.85	1547.21
FT-SE-A 350	1754.5	-0.5	1763.4	1771.5	1770.7	1522.5	3.89	2.03	15.84	58.45	1420.78
FT-SE-A 350 Higher Yield	1748.0	-0.2	1751.8	1760.4	1757.8	1526.8	4.95	1.83	13.80	73.86	1173.89
FT-SE-A 350 Lower Yield	1765.8	-0.8	1780.0	1787.6	1788.5	1480.5	2.80	2.39	18.69	41.76	1194.50
FT-SE SmallCap	1973.16	-0.2	1975.61	1975.48	1973.79	1773.29	3.27	1.68	22.81	51.61	1586.84
FT-SE SmallCap ex Inv Trusts	1959.94	-0.1	1962.20	1960.87	1959.07	1743.66	3.48	1.75	20.52	54.20	1584.11
FT-SE-A ALL-SHARE	1735.05	-0.5	1743.38	1750.75	1749.84	1509.49	3.84	2.00	16.22	56.83	1426.00

■ FT-SE Actuaries All-Share

	Oct 9	Day's chge%	Oct 6	Oct 5	Oct 4	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	2920.14	-1.4	2960.72	2990.10	2980.46	2713.11	3.86	2.09	15.51	100.32	1221.91
12 Extractive Industries(7)	4151.50	-1.3	4207.68	4230.96	4278.77	3975.76	3.56	2.51	13.97	104.79	1179.25
15 Oil, Integrated(3)	2902.27	-1.4	2944.41	2975.08	2950.98	2659.58	4.04	2.04	15.17	107.92	1245.36
16 Oil Exploration & Prod(13)	1911.68	-0.8	1927.09	1956.62	1964.39	1915.02	2.63	1.48	32.07	49.88	1134.71
20 GEN INDUSTRIALS(278)	1977.81	-0.8	1993.33	1998.72	2003.90	1860.34	4.16	1.83	16.40	68.53	1054.47
21 Building & Construction(38)	921.96	-0.6	927.48	932.02	929.89	1033.78	4.41	1.85	15.28	35.82	756.04
22 Building Matls & Merchs(31)	1724.89	-1.1	1744.48	1757.63	1759.22	1791.87	4.28	2.01	14.49	65.02	851.83
23 Chemicals(23)	2442.40	-0.9	2464.60	2481.31	2480.12	2317.95	3.94	1.83	17.36	80.44	1130.07
24 Diversified Industrials(20)	1763.32	.....	1763.80	1771.07	1781.11	1780.64	5.63	1.58	14.10	87.14	958.10
25 Electronic & Elect Equip(36)	2169.15	-1.6	2204.98	2176.68	2178.24	1889.12	3.45	1.93	18.77	59.12	1104.16
26 Engineering(69)	2179.60	-1.1	2202.80	2210.75	2223.72	1786.54	3.33	1.99	18.84	55.17	1293.11
27 Engineering, Vehicles(13)	2667.56	-0.2	2673.54	2675.38	2685.31	2229.09	3.51	1.39	25.67	71.44	1347.46
28 Paper, Pckg & Printing(27)	2903.07	-0.9	2928.76	2936.90	2931.41	2778.42	3.43	2.50	14.60	85.03	1183.92
29 Textiles & Apparel(21)	1597.60	-0.2	1600.45	1618.22	1616.57	1607.84	4.52	1.76	15.69	50.56	944.32
30 CONSUMER GOODS(92)	3412.40	-0.3	3422.27	3434.70	3425.69	2683.26	3.91	1.76	18.11	116.84	1231.81
31 Breweries(18)	2642.79	+0.1	2639.06	2653.04	2638.35	2154.17	3.77	1.99	16.65	62.40	1238.06
32 Spirits, Wines & Ciders(10)	2911.02	-1.0	2939.41	2943.33	2967.49	2759.48	4.10	1.84	16.51	106.86	1023.54
33 Food Producers(24)	2521.52	+0.9	2500.00	2518.11	2511.22	2260.72	4.02	1.77	17.58	80.26	1108.96
34 Household Goods(11)	2582.43	-0.6	2597.29	2582.35	2544.71	2291.82	3.69	2.05	16.50	59.15	957.96
36 Health Care(17)	2027.30	-0.5	2037.50	2037.97	2015.57	1583.43	2.57	1.82	26.71	37.65	1209.84
37 Pharmaceuticals(11)	4517.77	-0.3	4530.62	4540.28	4516.73	2942.81	3.58	1.57	22.19	153.87	1506.34
38 Tobacco(1)	4506.51	-1.5	4574.28	4612.39	4603.92	3699.59	5.32	1.90	12.39	229.23	1090.26
40 SERVICES(226)	2160.00	-0.7	2175.07	2180.88	2188.77	1877.57	3.09	2.07	19.57	56.10	1100.91
41 Distributors(30)	2754.35	-0.2	2760.92	2753.57	2746.92	2528.77	3.59	1.75	19.91	73.00	991.67
42 Leisure & Hotels(29)	2461.31	-0.8	2482.29	2490.05	2495.69	2046.06	3.25	1.85	20.78	73.11	1260.48
43 Media(43)	3312.51	-0.7	3336.75	3338.73	3359.02	2770.45	2.20	2.40	23.71	77.30	1184.07
44 Retailers, Food(16)	2123.23	-0.2	2128.51	2133.70	2129.32	1693.32	3.39	2.42	15.22	58.30	1319.80
45 Retailers, General(44)	1779.74	-0.8	1793.96	1800.21	1807.02	1604.86	3.29	2.17	17.51	42.44	993.78
48 Support Services(37)	1853.24	-0.5	1862.45	1873.44	1859.16	1477.25	2.45	2.44	20.82	34.82	1159.99
49 Transport(20)	2169.30	-1.2	2194.70	2205.89	2226.22	2215.49	3.97	1.28	24.61	72.68	885.33
51 Other Services & Business(7)	1211.52	-0.2	1213.36	1213.87	1215.80	1239.93	4.20	1.73	17.23	38.30	1084.65
60 UTILITIES(37)	2535.16	-1.2	2565.06	2581.71	2580.38	2380.94	4.50	2.02	13.77	86.37	1031.82
62 Electricity(15)	2753.60	-0.9	2778.06	2780.28	2774.90	2447.75	4.03	2.96	10.49	116.18	1225.22
64 Gas Distribution(2)	1698.99	-1.1	1718.43	1760.02	1783.22	1983.13	7.05	0.65	27.32	68.63	826.33
66 Telecommunications(7)	2115.26	-1.8	2153.22	2168.09	2173.02	1992.14	3.88	1.71	18.87	51.48	940.82
68 Water(13)	2151.12	+0.1	2148.01	2153.46	2135.00	1861.98	5.33	2.75	8.54	85.07	1143.32
69 NON-FINANCIALS(666)	1850.40	-0.8	1864.62	1872.63	1873.07	1633.47	3.84	1.93	16.89	59.75	1367.77
70 FINANCIALS(113)	2653.43	+0.9	2628.71	2642.17	2631.42	2116.91	4.19	2.45	12.16	101.00	1106.87
71 Banks, Retail(9)	3690.01	+2.2	3609.66	3625.26	3622.63	2758.57	3.94	2.82	11.25	139.15	1163.33
72 Banks, Merchant(6)	3611.18	-0.1	3613.14	3610.23	3608.27	2662.91	2.57	2.74	17.76	91.76	1127.88
73 Insurance(25)	1312.93	-1.4	1332.20	1344.32	1326.19	1227.99	5.61	2.69	8.29	64.30	955.95
74 Life Assurance(6)	3023.94	-0.7	3045.69	3077.97	3017.23	2308.64	4.61	1.53	17.66	136.72	1231.96
77 Other Financial(22)	2356.66	-0.1	2359.75	2365.05	2357.87	1773.44	3.75	1.92	17.35	62.49	1312.82
79 Property(45)	1426.87	-0.8	1438.41	1443.21	1445.68	1457.09	4.34	1.33	21.65	46.00	854.68
80 INVESTMENT TRUSTS(134)	2926.04	-0.7	2948.12	2945.29	2942.52	2721.21	2.23	1.07	52.44	52.70	1008.46
89 FT-SE-A ALL-SHARE(903)	1735.05	-0.5	1743.38	1750.75	1749.84	1509.49	3.84	2.00	16.22	56.83	1426.00
FT-SE-A Fledgling	1076.63	-0.1	1077.91	1076.04	1074.75	-	2.83	1.21	36.64	24.97	1103.74
FT-SE-A Fledgling ex Inv Trusts	1074.24	-0.1	1074.93	1072.75	1071.29	-	2.98	1.25	33.51	25.95	1102.46

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3536.5	3527.6	3525.5	3516.2	3515.9	3515.7	3512.6	3508.9	3504.6	3536.6	3504.6
FT-SE Mid 250	3975.5	3970.5	3969.1	3965.5	3961.9	3961.0	3958.8	3957.5	3953.4	3975.4	3952.9
FT-SE-A 350	1766.9	1763.0	1762.0	1758.0	1757.6	1757.4	1756.0	1754.4	1752.3	1766.9	1752.3

Time of FT-SE 100 Day's high: 8.32am Day's low: 4.10pm. FT-SE 100 1995 High: 3570.8 (13/9) Low: 2954.2 (23/1)

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	924.8	922.8	921.0	919.1	917.4	916.8	916.8	917.0	917.0	917.0	927.5	-10.5
Pharmaceuticals	4474.0	4473.8	4479.1	4482.6	4483.8	4482.2	4453.6	4455.1	4464.3	4464.3	4477.3	-13.0
Water	2136.4	2136.8	2136.8	2134.1	2137.5	2138.3	2138.4	2144.9	2146.5	2147.8	2144.6	+3.2
Banks, Retail	3724.8	3740.8	3743.5	3740.7	3749.4	3747.3	3749.2	3744.9	3733.9	3737.1	3655.7	+81.4

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 9 / Sch)

BELGIUM/LUXEMBOURG (Oct 9 / Frs.)

CZECH REP (Oct 9 / Koruna)

DENMARK (Oct 9 / Kr)

FINLAND (Oct 9 / Mks)

FRANCE (Oct 9 / Frs.)

GERMANY (Oct 9 / Dm.)

GREECE (Oct 9 / Drachma)

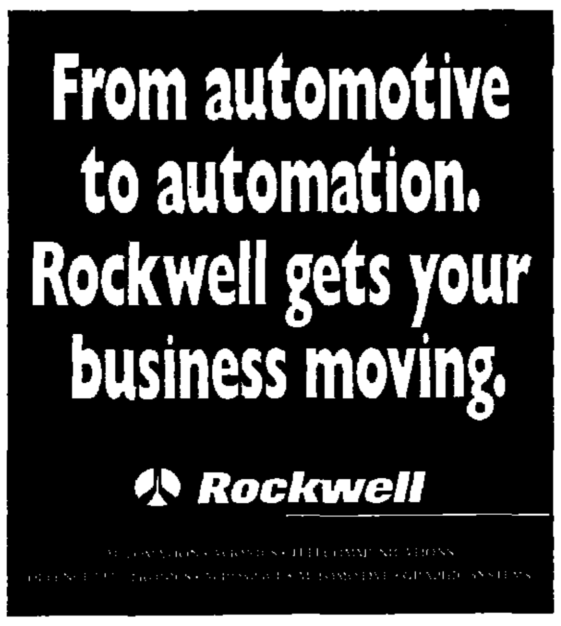
ITALY (Oct 9 / Lire)

NETHERLANDS (Oct 9 / Fls.)

NORWAY (Oct 9 / Kroner)

POLAND (Oct 9 / Zloty)

		+/−	High	Low	Yld	P/E
Elktrim	8.30	−.40	11	7.05	1.6	—
Exbud	26.50	−.40	32	10.80	..	....
Mostal	6.50	−.15	8.60	5.90	...	...
Wedel	121	+1	165	110	1.0	...
Wlczak	22	+.10	33	20.20	1.4	...
Zywiec	195	—	213	127.50	1.0	...



PORTUGAL (Oct 9 / Escudo)

		+/−	High	Low	Yld	P/E
BCO PI	2,238	+8	2,785	2,080	4.5	...
BCPort	2,019	−40	2,130	1,831	3.0	....
BESant	2,129	−11	2,595	1,986	7.0	...
BancTA	2,700	−2	3,274	2,628	7.4	....
ModCnl	3,985	+45	4,340	3,317	9.0	—
ModSpr	5,160	—	5,300	4,500	2.1	...
PTelcm	2,900	−9	3,010	2,700	..	—
Sonae	3,550	−9	3,820	3,161	4.2	.

SPAIN (Oct 9 / Pts.)

SWEDEN (Oct 9 / Kronor)

SWITZERLAND (Oct 9 / Frs.)

TURKEY (Oct 9 / Tk Lira)

PACIFIC

JAPAN (Oct 9 / Yen)

AUSTRALIA (Oct 9 / Aust$)

HONG KONG (Oct 9 / H.K.$)

INDONESIA (Oct 9 / Rupiah)

MALAYSIA (Oct 9 / MYR)

NEW ZEALAND (Oct 9 / NZ $)

SINGAPORE (Oct 9 / S$)

SOUTH KOREA (Oct 9 / Won)

TAIWAN (Oct 9 / TW $)

THAILAND (Oct 9 / Baht)

AFRICA

SOUTH AFRICA (Oct 9 / Rand)

NORTH AMERICA

CANADA

TORONTO (Oct 6 / Can $)

MONTREAL (Oct 6 / Can $)

Closed Oct 9

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Oct 9	Oct 6	Oct 5	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	14334.64	14283.62	16531.10	2/1	9831.09	9/3
Australia							
All Ordinaries(1/1/80)	2090.8	2098.2	2102.7	2168.00	18/9	1823.30	8/2
All Mining(1/1/80)	949.8	949.8	958.6	1029.50	7/8	795.30	8/2
Austria							
Credit Aktien(30/12/84)	357.29	356.98	357.45	385.42	2/1	358.32	30/3
Traded Index(2/1/91)	980.20	980.54	977.53	1058.31	2/1	934.83	30/3
Belgium							
BEL20 (1/1/91)	1432.94	1440.22	1441.81	1491.39	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	(u)	45148.0	44987.0	48812.00	19/9	4831.80	8/3
Canada							
Metals Minls♦(1975)	(u)	4620.76	4640.46	5252.77	21/8	3808.83	1/3
Composite♦ (1975)	(u)	4495.40	4469.80†	4719.30	12/7	3991.41	30/1
PortfolioSS (4/1/83)	(u)	2197.43	2203.96	2307.81	12/7	1953.38	30/1
Chile							
IGPA Gen♥(31/12/80)	(u)	5876.7	5855.7	6303.10	11/7	4578.99	9/3
Denmark							
CopenhagenSE(3/1/83)	359.85	361.16	362.77	378.44	25/8	338.61	29/3
Finland							
HEX General(28/12/90)	2075.98	2113.12	2099.55	2332.22	14/9	1555.30	29/3
France							
SBF 250 (31/12/90)	1197.32	1209.21	1206.93	1322.30	12/5	1184.41	13/3
CAC 40(31/12/87)	1785.71	1809.57	1800.32	2017.27	12/5	1721.90	13/3
Germany							
FAZ Aktien(31/12/58)	792.30	793.97	808.47	848.76	19/9	768.87	30/3
Commerzbank(1/12/53)	2285.0	2288.0	2328.7	2427.80	19/9	2018.70	30/3
DAX (30/12/87)‡	2168.69	2171.43	2208.82	2317.01	15/9	1919.96	28/3
Greece							
Athens SE(31/12/80)	920.46	918.92	906.24	992.59	4/8	787.15	16/3
Hong Kong							
Hang Seng(31/7/64)	9863.44	9873.90	9868.04	9899.95	4/10	6967.93	23/1
India							
BSE Sens.♥(1979)	3580.33	3598.37	3582.81	3932.09	2/1	3018.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	496.73	496.25	495.01	518.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2132.40	2132.79	2135.90	2170.73	15/9	1813.59	22/1
Italy							
Banca Comm Ital (1972)	604.71	606.83	614.00	680.54	10/2	587.99	23/8
MIB General (2/1/95)	955.0	961.0	970.0	1076.08	10/2	929.09	23/3
Japan							
Nikkei 225 (16/5/49)	18716.27	18506.28	18220.41	19884.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	272.45	275.79	273.72	286.16	4/1	222.28	13/6
Topix (4/1/68)	1453.04	1468.31	1456.33	1553.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1881.41	1888.54	1888.89	2138.88	4/1	1441.90	13/6
Malaysia							
KLSE Comp.(4/4/86)	978.50	983.81	985.62	1095.84	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(u)	2409.19	2347.65	2622.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	499.8	503.8	504.6	511.80	19/9	422.90	23/3
CBS All Shr (End 83)	303.0	305.4	305.9	311.10	15/9	265.20	23/3
New Zealand							
Cap. 40 (1/7/86)	2096.20	2089.59	2093.88	2155.79	18/5	1901.48	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1243.00	1253.36	1251.30	1291.58	19/9	1038.08	10/3
Philippines							
Manila Comp (2/1/85)	2611.04	2640.77	2618.23	2968.12	10/7	2246.39	27/3
Portugal							
BTA (1977)	2641.0	2649.3†	(c)	2911.69	9/1	2680.70	25/9
Singapore							
SES All-S'pore(2/4/75)	520.72	518.55	520.73	535.08	5/1	472.98	23/1
South Africa							
JSE Gold (28/9/78)	1498.3♥	1486.7	1504.4	2023.00	2/1	1317.20	19/5
JSE Ind. (28/9/78)	7268.9♥	7223.5	7175.7	7268.98	9/10	6222.00	31/1
South Korea							
KoreaCmpEx(4/1/80)**	1006.28	1002.07	999.05	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	294.38	297.69	301.65	318.98	13/9	203.30	26/6
Sweden							
AffarsvardldsGen (1/2/37)	1783.0	1803.6	1795.3	1872.10	19/9	1439.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1410.32	1411.96	1409.8	1423.87	19/9	1174.63	13/3
SBC General (1/4/87)	1058.00	1054.98	1051.18	1068.00	9/10	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	5260.78	5213.73	5100.47	7051.49	5/1	4503.37	14/8
Thailand							
Bangkok SET (30/4/75)	1321.34	1327.44	1314.81	1472.04	10/7	1135.69	16/3
Turkey							
Istanbul Cmp.(Jan 1986)	45421.8	45767.7	45418.2	54853.90	21/4	24844.31	23/1
WORLD							
MS Capital Int (1/1/70)$	698.2*	702.0	701.8	703.80	29/8	598.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1398.45	1401.61	1422.43	1480.69	15/8	1222.41	13/3
Euro Top-100 (26/6/90)	1271.22	1280.65	1288.86	1318.88	15/9	1117.34	9/3
JCapelDrgns (31/12/88)	(u)	336.81	336.80	349.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	148.05	147.29	145.52	168.07	2/1	117.15	10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Oct	1805.0	1796.0	+22.0	1818.0	1791.0	12,718	28,574
Nov	1814.0	1805.5	+21.5	1820.5	1806.0	56	2,745
DAX							
Dec	2170.0	2188.5	−21.5	2187.5	2166.5	16,169	79,231
Mar	2192.5	2190.5	−20.0	2207.0	2190.5	771	2,864
OMX							
Oct	1425.50	1406.00	−27.80	1427.00	1405.00	3,048	15,399
Nov	1433.00	1426.00	−5.00	1434.00	1426.00	40	1,420
SOFFEX							
Oct	3040.00	3054.0	+4.6	3084.5	3040.0	4,884	16,430
Nov	3055.0	3059.0	+8.0	3087.0	3055.0	99	410

** Sat Oct 7: Taiwan Weighted Price 5207.12; Korea Comp Ex 1003.40. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 28 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 9 - 2157.41 −18.94.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Oct 6	Oct 5	Oct 4	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4769.21	4762.71	4740.67	4801.80 (14/9)	3832.08 (30/1)	4801.80 (14/9/95)	41.22 (2/7/32)
Home Bonds	103.55	103.54	103.57	103.75 (13/7)	93.63 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1933.83	1913.18	1906.53	2000.38 (18/9)	1473.19 (3/1)	2000.38 (18/9/95)	12.32 (8/7/32)
Utilities	215.07	216.32	216.25	218.58 (3/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4805.70 (4794.86) Low 4731.84 (4705.63) (Theoretical♦)
Day's high 4783.86 (4782.71) Low 4750.05 (4736.61) (Actual♦)

Standard and Poors	Oct 6	Oct 5	Oct 4	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	582.49	582.63	581.47	586.77 (20/9)	459.11 (3/1)	586.77 (20/9/95)	4.40 (1/6/32)
Industrials♥	682.46	683.06	680.86	691.27 (20/9)	546.28 (3/1)	691.27 (20/9/95)	3.62 (21/6/32)
Financial	60.15	59.91	59.86	60.15 (6/10)	41.64 (3/1)	60.15 (6/10/95)	8.64 (1/10/74)
NYSE Comp.	312.38	312.01	311.74	314.33 (20/9)	250.73 (3/1)	314.33 (20/9/95)	4.46 (25/4/42)
Amex Mkt Val	533.54	532.40	532.10	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1012.04	1014.20	1002.27	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

■ RATIOS

	Oct 6	Sep 29	Sep 22	Year ago
Dow Jones Ind. Div. Yield	2.43	2.42	2.42	2.79
	Oct 4	Sep 27	Sep 20	Year ago
S & P Ind. Div. yield	2.08	2.07	2.05	2.43
S & P Ind. P/E ratio	17.87	17.94	18.14	20.33

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Motorola	6,333,900	68¼	−3¼
Micron	5,057,000	71½	−2⅝
Beverly Ent	4,714,900	13¾	+⅞
Telefonos	3,922,700	31¼	+1⅛
Unisys	3,768,900	8¾	+½
WalMart	3,539,400	23⅝	−½
Computer Ass	3,350,500	41	+2
Ford Motor	3,021,500	30⅛	+⅛
Grupo Telev	2,824,800	20⅝	+1¼
IBM	2,594,600	94⅝	−⅛

■ TRADING ACTIVITY

● Volume (million)

	Oct 6	Oct 5	Oct 4
New York SE	313.635	369.922	339.360
Amex	16.615	18.216	12.980
NASDAQ	471.254	495.101	392.675
NYSE			
Issues Traded	3,008	3,021	3,002
Rises	1,185	1,171	846
Falls	985	1,100	1,361
Unchanged	838	750	795
New Highs	95	88	103
New Lows	46	43	42

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Dec	586.50	584.70	−1.90	586.50	584.20	58,414	185,984
Mar	589.70	589.40	−1.60	589.70	588.80	510	7,583
■ Nikkei 225							
Dec	18520.0	18310.0	−210.0	18530.0	18190.0	17,880	152,778
Mar	18320.0	18320.0	−180.0	18320.0	18320.0	2	4,362

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Monday, October 9, 1995

	Stocks Traded	Closing Prices	Change on day
Tosoh Corp	7.9m	486	+25
Hyogo Bank	7.5m	5	
Tokuyama	7.4m	745	+100
Nippon Steel	5.1m	352	−3
Fujitsu	4.9m	1260	+20
Sumitomo Chem	4.0m	482	+14
Mitsubishi Hvy	4.0m	798	−9
Sankyo Seiki	3.7m	740	+54
Sumitomo Prcsn	3.6m	1120	+10
Daiwa Bank	3.4m	652	−39

4 pm close October 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12⅛	AAR	0.48	2.8	23	86	17½	17⅜	17⅜	-⅛
48¼	35	AMP	0.92	2.5	19	6225	37⅛	36¾	37⅛	-¾
80¼	53⅜	AMR			18	3733	71⅞	68⅞	69⅛	-2
47⅞	41½	ASA	1.71	4.1	27	616	42¼	42	42¼	+⅜
44¾	30¾	AbbtL	0.84	1.9	21	6054	44⅛	43½	43⅞	-⅛
18⅞	12	Abitibi Pr	0.40	2.3	20	2284	17¾	17¼	17¼	-¼
27⅝	21	ABM Ind	0.60	2.2	15	38	u27⅞	27⅝	27⅝	
17½	13½	Acpincaln			11	55	15½	15¼	15½	-⅛
34¾	21⅞	ACE Ltd x	0.56	1.6	8	1489	34	33⅞	34	+⅛
9⅞	8⅛	ACM Gvt In x	0.90	9.2	8	59	u9⅞	9¾	9¾	-⅛
7¾	6½	ACM GvOpp x	0.66	9.1		33	7¼	7¼	7¼	
7½	5¾	ACM Gvt Sp x	0.75	10.9		132	6⅞	6⅞	6⅞	-⅛
8¾	7¼	ACM Gvt Se x	0.90	10.4		285	u8¾	8⅝	8⅝	
8½	7⅝	ACM Man x	0.90	10.4		669	8¾	8⅝	8⅝	-⅛
29¼	10¼	AcmeCle	0.48	2.0	11	57	25⅝	24½	24½	-1
38¾	8½	Acme Elect-			42	304	9	d8¼	8½	-⅜
34½	23¾	Acordia	0.72	2.9	12	7	24⅞	24⅝	24⅞	+⅛
19¼	8⅝	Actava	0.36	2.1	12	536	17½	17⅛	17⅜	+⅛
16¾	10⅛	Acuson			34	113	13	12⅞	13	-⅛
18¾	15⅝	Adams Expr	0.48	2.6	0	129	u18¾	18⅝	18¾	
38⅞	25	AdvMic			7	9622	27¼	26⅛	26⅛	-1¼
9⅞	5	Advest Grp	0.16	1.8	16	100	u9⅜	9⅛	9⅛	-¼
24	16½	Advo Inc	0.10	0.4	19	4314	u24¼	23½	24⅛	+1
37¼	24.80	Aegon	1.28	3.4	30	281	u37½	36¾	37½	+¾
5⅞	3⅛	Aerflx			8	142	4⅞	4¾	4¾	-¼
75½	46¾	Aetna	2.76	3.9	52	1743	72⅛	71¼	71½	-⅞
44¾	31⅞	Aflac	0.52	1.3	12	345	41½	40½	40⅞	-½
28¼	16	Ahmnsn	0.88	3.4	15	3050	u26¼	25¾	26	+⅛
59½	43⅞	AirPrC x	1.04	2.0	16	744	51⅝	50½	50¾	-½
25⅝	18⅜	Airbne Frt	0.30	1.3	21	214	23⅜	22⅝	23	-½
30	19⅝	Airgas Inc			23	183	25½	24¾	24¾	-½
18	13⅜	Airlease x	2.00	12.0	12	22	16⅞	16⅝	16⅝	-⅛
12⅜	8⅞	BattM	0.05	0.5	195	2688	9⅞	9⅝	9¾	+⅛
44½	30⅞	Bausch	1.04	2.7	125	3387	39	38½	39	+⅛
41⅞	26¾	Baxter	1.13	2.8	18	2817	41¾	40⅜	40½	-1⅜
25¾	22¼	Bay St Gas	1.50	6.0	15	59	25¼	24⅞	25⅛	+⅛
21⅞	19	Bd Tr 1838	1.84	7.7		4	21⅜	21⅜	21⅜	+¼
23⅜	15⅜	Bear Stms	0.60	3.0	11	2110	20⅝	20⅛	20⅛	-⅝
43¾	40¾	BearStPfA x	2.75	6.5		6	42	42	42	
34⅜	27½	Bearings	0.72	2.1	15	10	34⅛	34	34	-⅛
31½	28½	Beckman In	0.44	1.4	18	2022	31⅜	30⅞	31¼	+⅜
64⅞	48	BectnD	0.82	1.3	18	1085	64	63¼	63⅜	-⅞
6¾	5⅛	BelrdProp	0.42	6.3	15	25	6⅝	6½	6⅝	
62¼	48⅜	BellAtl	2.80	4.6	18	3689	61¼	59⅝	60¼	+½

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4 pm close October 9

NYSE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

4 pm close October 9

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AMEX COMPOSITE PRICES

4 pm close October 9

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AMERICA

Cyclicals and tech stocks lead retreat

Wall Street

Worries about weak earnings for the end of the year sent technology and cyclical shares sharply lower in early trading yesterday, *writes Lisa Bransten in New York.*

The technology-rich Nasdaq composite fell more than 2.7 per cent in early trading, sending the index below the 1,000-point level for the first time since early August. By 1 pm, however, the Nasdaq had recovered from its lowest level and was trading off 23.08 at 988.96. The Pacific Stock Exchange technology index was more than 3 per cent lower.

Novell, the US software group, sparked yesterday's pull-back for technology companies by announcing late on Friday that it expected fourth quarter earnings below analysts' expectations because of slow sales of some of its software products. In early trading Novell's shares were nearly 15 per cent lower, falling $2⅞ at $14⅞. That bad news spread to other areas of the software business. Microsoft shed $1⅝ at $84¼. Oracle was $1¾ lower at $36 and Adobe Systems fell $1¾ at $49.

Semiconductor makers and related companies also continued a slide begun last week on worries that supply was finally catching up with demand and might have some impact on pricing. Micron Technology sank 6 per cent or $4¼ at $66⅛, Texas Instruments fell $2⅝ at $72¼, Intel gave up $2 at $60 and National Semiconductor was $1 lower at $24⅝.

Mr Michael Metz, chief investment strategist at Oppenheimer & Co said: "A lot of people poured into technology shares and now people are not so sure that techs are going up and now they want out."

Nasdaq shares have shed about 7 per cent since they hit a record high of 1,067.40 on September 13, but the ride has been bumpy with sharp losses often bringing healthy gains the next day.

Fears of slower growth also hurt cyclical shares yesterday causing the Dow Jones Industrial Average, which is weighted toward such stocks, to underperform the more broadly traded Standard & Poor's 500. In early trading the Dow fell more than 50 points triggering market controls that prohibit program trading on falling shares.

By 1 pm, however the Dow was off its lows for the day to post a decline of 41.91 at 4,727.30. The S & P lost 4.24 to 578.25 and the American Stock Exchange composite was 5.29 lower at 528.25. Volume on the New York Stock Exchange was light at 157m shares because of the Columbus Day holiday.

On the Dow, sliding cyclical shares included Caterpillar, off $1⅞ at $52¼, and International Paper, $1⅛ lower at $37¾, while consumer goods companies – which are considered defensive stocks in times of weak economic growth – managed to post modest gains. Procter & Gamble was up $¼ at $80¼ and Coca-Cola moved $⅝ higher to $71⅞.

● Canadian markets were closed for a public holiday.

Caracas improves by 4%

Caracas rose to year-high levels with the IBC index rising by 4 per cent to 1,441.21 and the Merinvest composite by 3.9 per cent or 4.0 to 107.2.

Brokers said that the investment climate had improved on hopes that a government team which was in Washington this week for the second round of talks with the IMF would successfully broker a deal worth at least $1.5bn. Investors expect the government to secure the deal by conceding changes to economic policy, including a devaluation and gradual dismantling of exchange controls.

Trading in MEXICO CITY was suspended for a short time after an earthquake hit the city. The 90-second quake was followed by several aftershocks and registered 7.5 on the Richter scale, according to preliminary estimates. No serious damage was reported, although buildings were seen swaying in the city centre.

By midday the IPC index was down 33.47 or 1.4 per cent at 2,375.72. Volume was 15.9m shares.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1995	Start of 1995	Start of 1995
Austria	+0.01	-3.82	-7.72	-9.25	-2.43	-1.40
Belgium	-0.84	-0.87	+10.34	+5.76	+13.36	+14.55
Denmark	-0.49	-3.90	+5.37	+1.24	+9.84	+10.99
Finland	-4.36	-7.85	+26.15	+22.91	+33.70	+35.09
France	+1.16	-1.99	+0.13	-1.62	+3.61	+4.69
Germany	-0.54	-4.42	+8.25	+1.60	+9.22	+10.36
Ireland	-0.72	+0.62	+19.48	+14.60	+18.28	+19.51
Italy	-1.83	-5.35	-3.19	-1.25	-1.96	-0.94
Netherlands	-0.13	-0.17	+15.91	+9.66	+17.65	+18.88
Norway	-1.40	-2.88	+10.49	+1.34	+7.57	+8.69
Spain	-2.93	-6.05	+3.67	+3.96	+9.44	+10.58
Sweden	-2.33	-0.76	+33.79	+26.18	+32.07	+33.45
Switzerland	+0.90	+1.62	+21.64	+15.42	+30.15	+31.51
UK	+0.55	-0.81	+17.58	+14.63	+14.63	+15.82
EUROPE	-0.06	-1.75	+12.55	+8.93	+13.63	+14.81
Australia	-1.60	-2.04	+7.72	+9.49	+6.34	+7.46
Hong Kong	+2.34	+4.47	+0.83	+17.72	+16.57	+17.78
Japan	+2.18	+2.50	-5.86	-4.88	-6.77	-5.80
Malaysia	-1.69	-0.71	-15.76	+0.00	-0.37	+0.67
New Zealand	-1.42	-1.46	+1.34	+7.24	+9.79	+10.94
Singapore	+2.01	+3.14	-5.38	-1.02	-0.02	+1.03
Canada	-0.91	-2.47	+5.41	+6.29	+10.78	+11.94
USA	-0.23	+2.00	+29.13	+27.06	+25.75	+27.06
Mexico	+1.09	-7.18	-6.15	+0.75	-24.85	-24.07
South Africa	+1.82	+2.42	+17.01	-4.71	+4.97	+6.06
WORLD INDEX	+0.45	+0.94	+10.81	+10.30	+10.84	+12.00

† Based on October 6th 1995.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY OCTOBER 6 1995								THURSDAY OCTOBER 5 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (82)	184.44	-0.2	172.98	117.46	136.83	161.13	-0.4	4.03	184.84	173.77	117.38	137.43	161.74	191.01	157.95	168.40
Austria (26)	180.18	0.7	168.96	114.75	133.67	133.58	0.5	1.34	178.85	167.64	113.64	133.04	132.98	198.28	167.48	180.34
Belgium (35)	192.93	0.1	180.94	122.87	143.13	138.83	0.0	3.74	192.78	180.61	122.43	143.33	138.84	201.12	161.66	161.66
Brazil (28)	148.59	0.4	139.36	94.63	110.23	262.12	0.4	1.61	147.97	138.63	93.97	110.02	261.07	-	-	-
Canada (100)	144.84	0.1	135.84	92.24	107.45	139.70	-0.1	2.66	144.65	135.51	91.86	107.55	139.84	150.83	121.81	135.75
Denmark (33)	279.48	-0.4	262.12	177.99	207.34	211.00	-0.4	1.54	280.51	262.79	178.14	208.55	211.82	296.99	236.61	243.49
Finland (25)	251.22	0.8	235.62	159.99	186.38	227.35	1.2	1.41	249.21	233.47	158.26	185.28	224.61	276.11	171.13	179.96
France (100)	171.22	-0.7	160.58	109.04	127.02	134.69	0.4	3.26	172.45	161.56	109.51	128.21	134.17	191.17	157.79	162.45
Germany (59)	158.15	-1.4	148.33	100.72	117.33	117.33	-1.7	2.03	160.47	150.34	101.91	119.31	119.31	167.74	134.99	134.99
Hong Kong (55)	384.14	-0.1	360.29	244.65	285.00	381.36	-0.1	3.79	384.55	360.27	244.21	285.92	381.70	391.00	277.40	331.22
Ireland (16)	246.47	-0.4	231.16	156.97	182.85	215.63	-0.3	3.51	247.39	231.77	157.11	183.94	216.30	249.46	195.34	200.81
Italy (59)	74.58	-0.5	69.95	47.50	55.33	90.08	-0.1	1.69	74.92	70.19	47.58	55.70	90.18	82.71	65.45	79.59
Japan (483)	147.84	0.5	138.66	94.15	109.68	94.15	0.8	0.81	147.10	137.81	93.42	109.37	93.42	164.82	136.95	156.61
Malaysia (108)	482.58	-0.3	452.61	307.34	358.02	471.43	-0.2	1.74	483.88	453.31	307.28	359.75	472.53	587.20	398.18	587.20
Mexico (18)	1075.29	2.8	1008.49	684.80	797.73	7682.97	3.1	1.81	1045.93	979.87	664.22	777.64	7450.32	2302.03	647.81	2192.30
Netherland (19)	257.82	-0.2	241.81	164.19	191.27	188.36	-0.2	3.47	258.25	241.94	164.00	192.01	188.74	263.99	205.92	205.92
New Zealand (14)	78.16	-0.1	73.31	49.78	57.99	62.87	-0.5	4.55	78.28	73.34	49.71	58.20	62.95	85.49	69.56	70.42
Norway (33)	231.69	-0.2	217.30	147.55	171.89	198.33	0.1	2.13	232.16	217.50	147.43	172.61	198.15	243.79	192.92	196.62
Singapore (44)	376.87	0.2	353.48	240.01	279.60	248.09	0.2	1.88	376.19	352.44	238.90	279.70	247.47	414.28	313.94	384.43
South Africa (45)	357.11	0.6	334.93	227.43	264.93	285.78	0.5	4.08	355.06	332.66	225.49	264.00	284.29	363.22	261.06	312.71
Spain (38)	145.92	-1.1	136.86	92.93	108.25	136.80	-1.0	4.13	147.47	138.16	93.65	109.65	138.20	160.51	124.10	136.03
Sweden (48)	308.41	-0.3	289.25	196.41	228.81	320.93	0.6	1.86	309.30	289.77	196.43	229.97	318.88	320.43	220.11	220.39
Switzerland (41)	217.24	0.4	203.74	138.35	161.16	154.58	0.3	1.72	216.44	202.77	137.45	160.92	154.20	217.24	158.38	160.16
Thailand (46)	168.69	0.9	158.21	107.43	125.15	164.43	0.9	2.48	167.18	156.63	106.17	124.30	163.03	-	-	-
United Kingdom (207)	225.66	-0.6	211.64	143.71	167.41	211.64	-0.5	4.04	227.06	212.72	144.20	168.82	212.72	227.07	187.07	192.80
USA (504)	238.56	0.0	223.75	151.93	176.99	238.56	0.0	2.48	238.52	223.45	151.47	177.34	238.52	239.87	182.33	184.74
Americas (650)	218.07	0.1	204.52	138.88	161.78	182.89	0.1	2.45	217.98	204.19	138.41	162.05	182.61	-	-	-
Europe (739)	193.98	-0.6	181.93	123.54	143.91	164.07	-0.3	3.08	195.05	182.73	123.86	145.01	164.54	199.02	163.04	165.71
Nordic (139)	284.81	-0.1	267.12	181.38	211.29	249.48	0.5	1.76	285.12	267.11	181.07	211.98	248.20	295.02	213.93	214.80
Pacific Basin (832)	158.40	0.4	148.56	100.88	117.52	104.59	0.6	1.25	157.78	147.82	100.20	117.31	103.95	173.52	145.93	166.09
Euro-Pacific (1571)	173.13	-0.1	162.37	110.26	128.44	127.12	0.2	2.10	173.21	162.27	110.00	128.78	126.90	178.33	154.73	166.96
North America (604)	232.77	0.0	218.31	148.24	172.68	231.95	0.0	2.47	232.71	218.01	147.78	173.02	231.91	233.93	178.88	181.69
Europe Ex. UK (532)	172.91	-0.5	162.17	110.12	128.28	138.02	-0.2	2.52	173.79	162.81	110.36	129.21	138.37	179.46	146.45	147.67
Pacific Ex. Japan (349)	259.00	-0.1	242.91	164.95	192.15	226.72	-0.1	3.23	259.27	242.90	164.65	192.77	227.04	266.72	211.19	259.96
World Ex. US (1762)	174.14	0.0	163.33	110.90	129.19	130.66	0.2	2.15	174.16	163.16	110.60	129.49	130.41	176.73	155.42	168.89
World Ex. UK (2059)	190.78	0.1	178.93	121.50	141.54	157.03	0.2	2.08	190.65	178.61	121.07	141.75	156.73	191.32	163.46	171.23
World Ex. Japan (1783)	219.73	-0.2	206.08	139.93	163.01	204.96	-0.1	2.76	220.10	206.20	139.77	163.64	205.17	220.98	178.95	192.98
The World Index (2266)	193.83	0.0	181.79	123.44	143.80	161.94	0.1	2.27	193.63	181.59	123.09	144.11	161.64	194.25	165.92	173.14

CONSTITUENT CHANGE WITH EFFECT 10/10/95: Deletion: Lin Broadcasting (USA). Latest prices were unavailable for this edition.

EUROPE

Rising interest rates keep pressure on Paris

The slide in PARIS continued unabated with the rise in 24 hour interest rates by the Bank of France from 6.15 per cent to 7.25 per cent providing even more downside pressure. The CAC-40 index fell 23.86 or 1.3 per cent to 1,785.71, with Wall Street's early slide adding to the gloom. Turnover was 2.5bn.

The prospect of today's strike by public sector employees also haunted investors, many of whom believed that the future of Mr Alain Juppé, the prime minister, was now in grave doubt. With the government's popularity having slumped to a record low there was a feeling that what was needed, above all, was a clean break. Mr Paul Brunker of Robert Fleming believed that there was now little stomach left among government ministers to defend the *franc fort* policy, and a change of prime minister could provide a catalyst for change.

Mr Mark Howdle of UBS, in a note written before yesterday's rate rise, said that a change in monetary policy by the French authorities would undoubtedly be good news for equities. "The franc has appreciated by 15 per cent on a trade-weighted basis since 1989, and the equity market has underperformed Europe by 20 per cent over this period," he said. "If French monetary policy was eased and the franc floated down, then based on the UK example [of 1992] French equities could outperform by 10 per cent or more".

AMSTERDAM grappled with a 15 per cent fall in the value of Nedlloyd after the transport and shipping group said that its 1995 profits would be "substantially below" 1994's figure of Fl 107m. Trading in the shares had been suspended prior to the announcement. The stock lost Fl 8.40 to Fl 46.60.

The company cited lower than expected volume growth on its new Nedlloyd Lines services and higher operating costs due to congestion in several ports. Its had previously forecast that the 1995 figures would be unchanged on the same 1994 period.

The AEX index fell convincingly through the 460 support level, to close off 3.75 at 458.46.

ZURICH pushed confidently up through the resistance that had proved such an obstacle last week and the SMI index finished 10.0 ahead at its high for the year at 3,064.0, but off the day's best level of 3,082.2.

Swiss Re was the day's star performer, jumping SFr54 or 4.6 per cent to SFr1,238, after a strong recommendation from Credit Suisse, which holds a stake in the insurer. Swiss Re has seen a reawakening of interest in its previously underperforming stock, jumping by 37 per cent since mid-August. Elsewhere among strong financials, UBS bearers put on SFr23 to SFr1,210 as a covered warrant was issued.

Pharmaceuticals were mixed with registered shares in Ciba, which reports nine month figures on Thursday, SFr6 higher at SFr946. Roche certificates were steady at SFr8,135. J.P. Morgan, which recommended the stock, raised its earnings forecasts and 12-18 month target share price from SFr8,680 to SFr9,800. It forecast Roche to average 18.9 per cent earnings growth over the next three years, driven by growth in operating items.

MILAN's confidence was again shaken by Gemina after news that police had raided the investment company's office and that 10 executives were under investigation in an inquiry into suspected false accounting. The shares were suspended indefinitely by the bourse watchdog, Consob, but not before they had been marked down 8.2 per cent to L685 in a price setting session before the official stock market opening.

The Comit index fell 4.12 to 604.71 while the real-time Mibtel index lost 159 to 9,595 with the weakness of the lira also weighing on the mood.

The weekend's events again raised questions about the outlook for the Gemina-Ferruzzi Finanziaria merger. Ferruzzi fell L26.8 to L925 and Montedison was L17 lower at L1,062.

Fiat, under pressure of its own last week after a presentation to analysts in London, fell another L94 to L5,550, taking the loss since last Wednesday to 6 per cent.

Telecommunications issues encountered profit-taking after the recent gains. Telecom Italia fell L80 to L2,540 and TIM L103 to L2,680.

FRANKFURT extended losses in Ibis trading and the indicative index closed off 18.94 at 2,157.41 in turnover of DM4.7bn. Brokers said that the market had tracked downward movement of the dollar, and was dealt an additional blow by the early decline on Wall Street.

Currency factors filtered through into the export-sensitive issues, such as car makers. Volkswagen lost DM4 to DM444, BMW DM18 to DM767, and Daimler was off DM9.50 at DM691.50.

Trading in Kaufhof was suspended on news that majority shareholder Metro Vermoegensverwaltung was proposing a merger of Kaufhof with Asko Deutsche Kaufhaus. Karstadt slipped 50 pfg to DM622.50.

MADRID's weakness was compounded by Wall Street's early performance and the general index fell 3.33 to 294.36.

Telefónica fell Pta30 to Pta1,595 as sellers appeared in large numbers, leaving the shares below the Pta1,615 level set for the retail tranche of the recent share offer.

Cepsa surged Pta240 or 7.4 per cent to Pta3,480 after announcing its discovery of a large oilfield in Algeria.

Written and edited by Michael Morgan and John Pitt

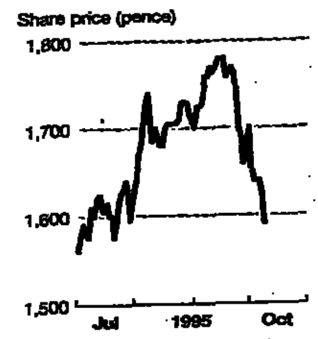
FT-SE Actuaries Share Indices

Oct 9						THE EUROPEAN SERIES		
Hourly changes	Open	11.30	12.00	12.30	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1400.84	1399.52	1399.35	1399.83	1400.42	1399.43	1398.58	1398.45
FT-SE Eurotrack 200	1521.05	1516.87	1518.17	1518.42	1519.93	1520.17	1517.06	1517.79
		Oct 6	Oct 5	Oct 4	Oct 3	Oct 2		
FT-SE Eurotrack 100		1401.61	1422.43	1422.98	1421.48	1423.05		
FT-SE Eurotrack 200		1524.49	1541.57	1528.03	1526.91	1524.47		

Base 1000 (26/10/90); High/day: 100 - 1400.84, 200 - 1521.81 Low/day: 100 - 1397.42 200 - 1516.50 † Partial

Telefónica

Share price (pence)



Source: FT Extel

ASIA PACIFIC

Nikkei tumbles 1.8 % as $ declines against the yen

Tokyo

A decline in the dollar against the yen in morning trading prompted selling in the stock futures market, and the Nikkei index lost 1.8 per cent on arbitrage unwinding, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index lost 330.01 at 18,176.27 after moving between 18,168.69 and 18,504.38. Activity ahead of today's national holiday declined, with volume totaling 250m shares against 381.4m

The Topix index of all first section stocks fell 15.27 to 1,453.04 and the Nikkei 300 declined 3.34, or 1.2 per cent, to 272.45. Losers led gainers by 660 to 366 with 160 issues remaining unchanged.

In London, the ISE/Nikkei 50 index lost 2.67 to 1,242.20.

The decline in the dollar following its rise to the Y101 level in early trading disappointed traders. Although the US currency had initially gained ground following the G7 finance ministers' meeting, which supported the dollar's recent ascent, it met profit-taking in the afternoon session.

Banks lost 1.7 per cent on more bad news from Daiwa Bank. Its president announced his resignation, while also admitting that he had notified the ministry of finance of its huge losses caused by a US based trader in August. Daiwa fell Y39 to Y682 on heavy selling. Other banks were also lower with Industrial Bank of Japan losing Y50 to Y2,930 and Dai-Ichi Kangyo Bank down Y80 to Y1,810.

Individual investors used the low volume to push up speculative favourites. Tosoh, a chemical maker, was the most active issue of the day, rising Y25 to Y488.

Mitsubishi Heavy Industries which had been bought on hopes of domestic recovery fell Y9 to Y796.

In Osaka, the OSE average fell 113.82 to 19,716.40 in volume of 43m shares. Shima Seiki, a machinery maker, fell Y110 to 6,100. Sumitomo Sitix, a leading maker of high purity semiconductor silicon, jumped Y120 to Y1,650 on reports that a sharp rise in global demand for semiconductor chips could deplete the amount of available silicon.

Roundup

Trading was extended by three hours in SYDNEY after the announcement of a merger between CRA and RTZ prompted unwinding of futures, putting pressure on the cash market and eroding early gains. The All Ordinaries index slipped 7.4 at 2,090.80. Turnover was light at A$459.5m.

December index futures, up some 20 points in early trade, closed 11 down at 2,101, with 10,244 lots traded.

CRA, steady at A$20.12 saw A$27.91m worth of shares traded. Brokers said that trading was relatively thin as investors would need time to assess the impact of its merger with RTZ, but most suggested that the market would view the merger as positive in the long term.

Lihir Gold, which made its market debut, was the most active stock with shares worth A$66.8m traded. It closed at A$1.62, up from its A$1.57listing price, but below the A$1.87 it touched shortly after trading. The company plans to develop a new gold mine on Papau New Guinea's Lihir Island.

KARACHI fell more than 1 per cent as anxious investors sold stocks after a government building in the city was hit by rockets, writes *Farhan Bokhari.* Up to seven rockets were allegedly fired by activists of the MQM or Mohajir Qaumi Movement, Karachi's largest political party, police officials said.

The KSE-100 index lost 19.01 at 1,618.40 and once more reflected the anxiety in the city over the murderous violence that has left more than 1,500 people dead this year. The index is more than 33 per cent below where it was a year ago, when the violence began to escalate.

TAIPEI rose in active trade with late bargain-hunting in the financial sector providing support. The weighted index made 53.66 to 5,260.78 in turnover of T$44.3bn.

Lifted by the market's rally last week, but uncertain of long-term prospects, investors moved into a number of low-priced sectors.

The index had rallied by more than 100 points last week on the government's efforts to loosen market liquidity and on improved sentiment regarding relations with China.

HONG KONG digested its recent gains and the Hang Seng index finished 10.46 lower at 9,863.44, as analysts forecast that the market was readying itself for another run at the 10,000-point level. Turnover shrank to a low HK$2.5bn from Friday's HK$3.3bn.

Brokers noted that there was mild support for defensive utilities, while recently strong property stocks suffered from profit taking. China Gas held steady at HK$12.65, as did Hong Kong Telecom at HK$14.05 after giving up a 10 cent advance.

KUALA LUMPUR featured a 15.1 per cent rise in Chase Perdana on rumours that the company had won a port contract and was planning a bonus issue. Tenaga Nasional also rose, helped by comments from Mr Anwar Ibrahim, the deputy prime minister, on Friday that the power company would be allowed to raise electricity tariffs.

But the broader market fell on continued lack of positive leads and the composite index ended down 7.31 to 976.50.

SEOUL closed higher for the fifth consecutive day in moderate trading after early profit-in blue chips was absorbed and interest moved to undervalued banking and wholesale trading stocks.

The composite index closed 4.89 higher at 1,008.29, in volume of 36.4m shares.

Newly listed shares continued to surge. New shares of Hyundai Merchant Marine and Pulmuone went limit-up, gaining Won1,100 and Won1,500, respectively, to Won20,000 and Won27,500.

MANILA fell at the close after two days of gains, dampened by continuing worries over inflation and a rise in interest rates.

The composite index dropped 29.73 or 1.13 per cent, to 2,611.04 following Friday's 22.54 point rise.

BOMBAY ran into widespread selling by domestic institutions, raising cash for redemptions. The BSE 300 index lost 0.47 to 3,589.90 as brokers noted that the Unit Trust of India, the country's biggest investment institution, would need about Rs1bn to redeem a scheme.

S Africa continues ahead

Johannesburg continued to find steady demand although gold shares lost their early sparkle as bullion failed to break through $385 an ounce and quarterly gold mine results from the Gold Fields group dampened interest.

The overall index was up 36.6 to 5,768.5, industrials climbed 48.3 at 7,271.8 and golds added 11.6 to 1,498.3, off an earlier 1,511.8 high.

Gold Fields was unchanged at R103 as the group's gold mines reported lower profits before capital expenditure in the quarter to the end of September.

Anglos added 250 cents to R212.75, Anglovaal was R3 firmer at R140 and De Beers added 50 cents to R103.25.

هكذا من الأصل

Names open case against law firm

By Jim Kelly,
Accountancy Correspondent

The Sturge Names Action Group, the largest group of litigating investors at Lloyd's of London, yesterday launched what is understood to be the first legal action against a firm of solicitors over advice given to managing agents.

The unexpected multimillion pound legal move significantly widens the scope of litigation related to the insurance market. Until now Names have taken action only against managing agencies, members agents, and auditors. The action group yesterday issued a writ against Clyde & Co alleging that the firm was involved in a decision by Sturge to cancel a reinsurance policy which would have given Names unlimited protection against US asbestosis and pollution claims.

LLOYD'S
LLOYD'S OF LONDON

A spokesman for Clyde & Co said: "We have heard that a writ has been issued by SNAG in respect of advice given by this firm. We have not seen the writ and so are unable to comment on its contents. We are aware of the action group's allegations generally which are without foundation. The action will be contested."

A spokesman for Eversheds, the solicitors representing SNAG, said: "This action focuses on the role and conduct of advisers to managing agents at Lloyd's. It is a further dimension of the unhappy saga of Lloyd's recent history."

SNAG said it had already started action against the Sturge holding company, the Sturge managing agents, members' agents, and syndicate agents over the decision to "commute" the reinsurance policy which protected Syndicate 210.

Syndicate 210 was the largest non-marine syndicate at Lloyd's with a stamp capacity in 1990 of nearly £200m. The total losses declared to date for the years 1990 to 1993 are more than £350m. SNAG represents 4,000 Names who participated in syndicates managed by Sturge agencies. Collectively the Sturge syndicates have declared losses to date of £1bn. Syndicate 210 has declared losses of £350m with £135m related to asbestosis and pollution claims.

SNAG said: "The proceedings against Clyde & Co are closely related to one of the court actions already under way concerning the decision by Sturge to commute a reinsurance policy – cancel the policy in return for $80m – which gave unlimited protection to Syndicate 210 against exposure to US asbestosis and pollution claims arising from policies written by the syndicate pre-1969." Mr John Rew, SNAG chairman, said: "Nothing can compensate our membership for the humiliation they have suffered by the betrayal of their trust."

Lloyd's council, Page 10

Retired US General Colin Powell, seen here outside a bookshop in central London, came to Britain yesterday to sign copies of his book A Soldier's Way, visit the prime minister and meet cousins who emigrated to Britain from Jamaica. He said he would decide by the end of next month whether to run for president. "It seems to me that, because of the republican primary system, if I were to enter the election race as a Republican I would have to start registering for the New Hampshire primary, for example, in middle December," he said.

Prices of manufacturing raw materials up sharply

By Gillian Tett and
Roderick Oram in London

Rising food costs pushed the monthly price increase for manufacturing raw materials to its highest level for five months in September.

With the increases squeezing many food manufacturers, Walkers Snack Foods said yesterday it had been forced raise the price of its crisps.

The move, which could trigger similar increases across the snack industry, is likely to fuel economists' fears that last year's sharp rise in input costs will gradually trickle through to the consumers.

Nevertheless, as yesterday's manufacturing price data indicated, underlying price pressures in industry are now extremely patchy. For though some sectors, like food, are seeing continued price increases, others, like chemicals, are reporting a slight decline in input price inflation.

The Central Statistical Office yesterday said the cost of raw materials and fuels purchased by industry rose 9.5 per cent in the year to September and by 1.1 per cent between August and September. On a seasonally adjusted basis costs rose 0.9 per cent in the month – the highest rise since April.

About a third of the monthly unadjusted price rise was due to higher world crude oil prices, which were compounded by the recent weakness of sterling. The remaining two-thirds largely reflected increased food costs.

The price of goods leaving factory gates rose 4.5 per cent between in the year to September. Excluding the volatile elements of food, drink, tobacco and fuel, the annual rise was 5.1 per cent. With the monthly rate constant at 0.3 per cent, the data suggested that there was little significant acceleration in output price inflation yet.

Nevertheless, with most City economists expecting that retail price data on Thursday will show a small rise in the underlying inflation rate, fears are mounting that food prices in particular could edge up in the months ahead.

Walkers' decision to raise its crisp prices rise marks a change in policy for the company, which is owned by Pepsico of the US. It had held its prices since April, 1992, by absorbing large cost increases. The tactic had put pressure on United Biscuits' McCoy's and Brannigans crisps and Dalgety's Golden Wonder brand, which are Walkers' main competitors.

Annual conference of the Conservative party

'We are all Eurosceptics now' says ex-minister

By Robert Shrimsley,
Lobby Correspondent

Mr John Major, the prime minister, once referred to rightwing agitators in his party as "devils on the fringe". As if the week had not started badly enough, the prime minister will find the conference fringe at this week's gathering in the north-west England resort of Blackpool absolutely crammed with demons.

However, the theme of the right this year is loyalty and patriotism. A number of leading rightwingers are seeking to emphasise their view that the prime minister has crossed to their side on Europe.

Mr Norman Lamont, the former chancellor of the exchequer, has entitled his fringe meeting "We are all Eurosceptics now".

Mr John Redwood, the challenger for the party leadership beaten by Mr Major in the summer, will use a European Foundation rally tonight to deliver a bitingly sceptical speech. He will tell his audience that the government must explicitly acknowledge that monetary union is now impossible under the Maastricht criteria. He will also demand a government list of rules and regulations which can be scrapped and a plan to cut the powers of the European Court.

On monetary union he will say: "The train is not going; no-one is left in the fast lane; most countries are in the second tier. The metaphors are so tired they have fallen asleep."

He will also argue that the struggle to save the Maastricht timetable is causing unemployment. "Anger is mounting about the whole political class who seem as wedded to Euro-deflation as they are oblivious to its consequences."

For Tory Eurosceptics the biggest problem seems to be deciding how best to divide up their time to ensure a maximum dose of rightwing fervour throughout the next week. But they need not fear missing Mr Redwood. He is speaking at no fewer than four meetings.

But Mr Redwood faces competition for an audience from other rightwingers, notably Lord Tebbit, the former party chairman, who will addresses the European Foundation on "the socialist betrayal of Europe".

Mr Lamont will speak to the Conservative Way Forward group. Rightwing cheerleaders will not want to miss the main defence debate in the conference hall in the afternoon. They will want to ensure a lengthy standing ovation for Mr Michael Portillo, the defence secretary and the right's leader in cabinet.

This evening sees Mr Redwood's speech to the European Foundation – an event expected to attract such a large audience that a cinema has been hired for the occasion.

Wednesday lunchtime starts with, yes, Mr Redwood, at the Selsdon Group on "Conservative principles, winning ways". Elsewhere two of his campaign aides, Mr Edward Leigh and Mr Ian Duncan-Smith, will address the Freedom Association and the Young Conservatives about the "future of Conservatism".

However, the "must" event of the evening for the right is the Conservative Way Forward annual dinner with Mr Portillo as the guest speaker.

By Thursday the right on the fringe are beginning to wind down. Three former rebels, Mr Budgen, Mr Wilkinson and Mr Shepherd will speak out against national identity cards.

Obituary of former Conservative premier, Page 10

Company sends cheque to Labour

Conservative morale was dealt another blow last night when sugar refiner Tate & Lyle – one of the party's biggest corporate backers – announced it was cutting donations to Tory funds and writing a cheque to Labour. The company, which traditionally gives £25,000 ($38,750) a year to the Conservatives, said it was cutting the donation to £15,000, a decision which reflected "the performance of the governing party".

Meanwhile, Tate & Lyle endorsed the changes made to Labour under Mr Tony Blair's leadership, by offering the party £7,500 – the first time the company has contributed to Labour's funds.

The company said the donation reflected "the changing stance of the opposition". Board members are understood to have been particularly impressed with Labour's decision to drop its commitment to wholesale nationalisation. Meanwhile the Conservative party is £17.3m in the red.

Drugs seizure does not mean traders are hooked

Approaching the trading floor of Liffe, the London International Financial Futures and Options Exchange in the City of London, you feel you are nearing the inner circles of hell. Slowly the moaning you hear becomes a deafening roar of excited screams and shouts.

It is in this pandemonium of colour and sound, where financial instruments worth hundreds of millions of pounds, D-Marks or lire change hands each day, that about 2,000 bodies – most of them male – jostle for space.

It would be no wonder if such a stressful environment – where traders are under immense work and peer pressure but can also find rich rewards – were to breed excess. But claims of widespread drug abuse among traders, which grew louder last month after security guards found a small quantity of cannabis in a dealer's possession, are perhaps overdone.

"Stories of drugged-up dealers living it up are largely apocryphal," said Sgt Charles Owens of the City of London Police. "There is no evidence to suggest that traders are more prone than other people to using drugs."

Traders are also keen to debunk the myth. "Drugs and all that died back in the 1980s," said one dealer. Rather than craving further stimulants after a day of heady trading, most dealers, it seems, seek ways of relaxing. Many turn to alcohol while others switch to healthier pursuits such as in the gyms and sports clubs.

> 'Their frantic routine is a stimulant – they don't need any others'

Professor Cary Cooper, an organisational psychologist at the University of Manchester Institute of Science and Technology, and co-author of the book *Stress in the Dealing Room*, said: "Drug abuse is not terribly widespread among traders – you may find some on drugs, but many more on alcohol.

"They don't need drugs – the nature of the work itself and the levels of neuradrenalines it creates make outside stimulants unnecessary."

While there has been a marked increase in the number of people detained for possession of drugs within the City, Sgt Owens said: "The vast majority of them have nothing to do with securities trading – they are mostly people who are travelling through the City."

He said that since the police stepped up security in the City after the Irish Republican Army bomb attack in Bishopsgate last year, it was almost inevitable that there should be an increase in the number of arrests.

During the 15 months from the start of 1994 to the end of the first quarter of this year, 609 people were detained in the City for drug possession; 431 of them were cautioned and 178 prosecuted. That compares with 301 arrests in 1993, with 261 cautioned and 43 prosecuted.

Of the drugs found, cocaine saw a large increase in the 1994-95 period, prompting 23 arrests compared with eight in 1993. Ecstasy-related arrests rose to 29 in 1994-95, from 10 in 1993. Cannabis-related interventions, which make up the bulk of the detentions, rose to 509 in 1994-95, from 247 in 1993.

At Liffe, the top traders can earn salaries of more than £200,000 a year. The young "yellowjackets", or runners, liaising between floor traders and clients, can earn as little as £10,000 a year.

The drink, drugs and riches image may be more myth than reality, but the addictive adrenaline rush provided by the dealing floor atmosphere may in itself pose a problem. Prof Cooper said that once a certain level of adrenaline is established, people want and need more of it – "they become addicted to their own biochemistry". Like drug doses, deals have to get bigger and better.

This can cause traders to lose touch with reality and take huge trading risks – as arguably seen when Mr Nick Leeson earlier this year brought down Barings bank with his derivatives gambles on the Japanese stock market.

Graham Bowley
Conner Middelmann

Union says sackings are intended to forestall worker safeguards being sought by EU

Dockers barred from return to work

By Ian Hamilton Fazey in Liverpool

Mersey Docks and Harbour Company yesterday refused to let 300 dockers return to work after sacking them over an unofficial strike. The company said it it would be recruiting replacements after receiving nearly 1,000 inquiries for the men's jobs.

The 300 – the bulk of the Port of Liverpool's dock labour force – were held to have dismissed themselves by refusing to cross a picket line 11 days ago. Management said the men ignored warnings that they were putting their jobs at risk by being in breach of their contracts. The picket was over the loss of 80 dockers' jobs at Torside, a stevedoring manpower agency on Merseyside which went into liquidation last month. The strikers wanted Mersey Docks to take on the men but the company refused.

The strikers' leaders now claim the dispute has been engineered to get rid of formerly registered dockers – who up to 1989 were guaranteed jobs for life – before Labour wins the next general election. About 80 dockers who crossed the picket line have helped the port continue operating throughout the dispute. However, Mersey Docks said five container ships had turned away and had stopped using the Mersey "for the time being".

The 300 strikers decided to return to work yesterday after being told by the TGWU transport union that their action was illegal without a ballot. But about 150 who turned up for work were refused entry to the docks. Each had already been sent a dismissal notice at home.

Mersey Docks said it was "taking the opportunity to reorganise its labour force" with fewer dockers. It offered 200 of the strikers new contracts after dismissing them, but excluded their shop stewards. The company refused to say how many had taken up the offer.

Mersey Docks said nearly 1,000 people had responded to job advertisements it had placed with the local media. Several hundred have so far returned application forms. Each new employee will have to sign an individual contract and some are understood to have started work yesterday. The company said it would continue to recognise the union.

"If any of the people who refused to cross the picket line want their jobs back they had better get an application in quickly," Mr Eric Leatherbarrow, the company's information manager, said.

The Liverpool travel-to-work area has a male unemployment rate of 14 per cent, with pockets of up to 30 per cent in old urban districts near the docks. There are currently about 45,000 unemployed men in the area.

Mr Jimmy Nolan, a shop steward and leader of the unofficial strike, said: "The company has engineered this for its own ends. They want to remove the old workforce before the general election. They know that Tony Blair is going to look at European legislation and get us a better deal than we have now."

Sheep scab now epidemic, say vets

By Alison Maitland in London

Farmers' leaders are calling for urgent government action to combat the spread of a serious sheep disease which is costing the farming and leather industries millions of pounds a year.

The National Farmers' Union says sheep scab is "almost out of hand" in Wales and north-west England. Parasitic mites attack the skin, causing wool loss, hide damage and eventual death if not treated.

Scab has been increasing since dipping controls were eased in the late 1980s. The British government abandoned compulsory dipping in 1992. The spread of the disease has been boosted recently by the scare over the health dangers to farmworkers of using dips, industry officials say.

"The increasing prevalence of sheep scab is one of the most significant welfare problems facing the species," says the British Veterinary Association. "Present in every county, it has now reached endemic proportions."

The British Leather Confederation, which represents the tanning trade, calculates that scab and other pests are wiping £15m, ($23m) or about 15 per cent, off the annual value of UK sheepskins. Farmers face losses of at least £30m a year on the value of hides and on treatment costs, says the National Sheep Association, which estimates that scab now affects 20 per cent of Britain's 90,000 sheep farms. A damaged skin is worth only £1 or £2 to the farmer compared with £6 to £7 for a good one.

The National Farmers' Union is urging the government to make the disease notifiable to assess how far it has spread. At present, estimates are based on widespread anecdotal evidence.

Mr Martin Burtt, chairman of the union's livestock committee, said yesterday that recent government measures were "the minimum necessary". He said the authorities should seal off farms with scab until the flock had been treated.

The government has already stepped up surveillance for scab at livestock markets and has established a Meat Hygiene Service to look out for infestation in sheep arriving at slaughterhouses.

It has ruled out compensation to farmers faced with an outbreak, saying the industry must deal with the problem.

Commodities, Page 25

OBITUARY: Lord Home was prime minister for 12 months in 1963-64

A Tory of the old school

Lord Home of the Hirsel, who died yesterday at the age of 92, was probably the last aristocrat to be prime minister of Britain.

Almost all his political experience was in foreign policy. As prime minister he was often seen by a younger generation as an anachronism and he lost the 1964 general election (though narrowly) to a Labour party which under Harold Wilson was promising great technological and managerial changes.

Lord Home at the Tory party conference in 1973

He was was born in the Scottish border country in 1903, son of the 13th Earl of Home. At Eton, Alec Dunglass (as Home was then known) was president of Pop – the most elite body in the school – and captain of cricket.

After leaving Oxford University, there was no need to go into politics or do anything as a career. Yet clearly an ambition was there. He stood as a Conservative candidate in Scotland in the general election of 1929, lost decisively to Labour, but was elected in 1931.

Home worked his way up by the route of parliamentary private secretary – unpaid assistant and dogsbody to a minister. When Neville Chamberlain became premier in 1937, Home was his PPS. It was a marvellous apprenticeship for someone who was to become foreign secretary. Home lost his seat in the Commons in 1945, but regained it in 1950.

There was some surprise when, as the new prime minister in 1955, Eden made him secretary of state for Commonwealth relations, with a seat in the cabinet. It was not nearly as great as when Harold Macmillan, the next prime minister, made him foreign secretary in 1960. And when Home succeeded Macmillan as premier in 1963, the surprise was even bigger.

Volumes have been written on how Home came to the top. Macmillan had been going through a bad patch politically and became ill enough to be advised by his doctors to step down. The outgoing prime minister clearly favoured Home as his successor and consulted him early on, but it seemed that he was a reluctant contender. Macmillan appeared to switch his support to Lord Hailsham, yet at a famous Conservative Party conference in Blackpool Hailsham launched his campaign too early.

Through what was known in the Party as the "customary processes of consultation" Home "emerged". The subsequent deliberations within the Conservative party were bitter.

In 1964, after 13 years of Tory rule, the Labour party achieved an overall majority of only four. The next year Home resigned as Tory leader. He returned as foreign secretary under Edward Heath when the Tories won the election in 1970.

If he had a fault in foreign policy, it was shared by almost an entire generation. Home did not recognise the case for Britain joining the European Community from the start and he underestimated the staying power of the Franco-German relationship.

He was appreciated by diplomats, aware of the need to keep America in Europe and the twin virtues of strength and negotiation in relations with the former Soviet Union.

Malcolm Rutherford

UK NEWS DIGEST

Big blaze at BASF unit

About 200 firefighters fought a blaze at ICI's Wilton site in north-eastern England. Cleveland county fire brigade said the fire was the worst it had faced. Although on the ICI Wilton site, the fire occurred in the polypropylene plant sold to BASF last year as part of ICI's rationalisation programme. The fire broke out in a 200m-long warehouse containing 10,000 tonnes of bagged polypropylene granules. No process area was involved and the incident was not treated as toxic.

BASF stressed there was no toxic hazard and that the dense smoke consisted only of sulphur and carbon dioxide. The company said it would be reviewing its fire precautions after it emerged that the building was not fitted with a sprinkler system. Householders were advised to keep doors and windows shut and schools in the area were closed.

Ewart Mann, Teesside

Candidates named for election to council

LLOYD'S LLOYD'S OF LONDON

Fourteen candidates have come forward for the annual elections to the 18-member council of Lloyd's, the insurance market's governing body. David Rowland, Robert Hiscox, and Philip Wroughton retire this year as working members. Candidates for these vacancies are Paul Archard, Edward Benfield, John Charman, Barry Dean, Malcolm Mackenzie and Mr Rowland. As chairman of Lloyd's he is eligible to stand for re-election.

External members whose term of office expires at the end of this year are Peter Viggers and Valerie Robinson. Nominated candidates for these two vacancies are the Earl of Arran, Marie-Lousie Burrows, Michael Deeny, Desmond Heyward, John Mays, Ms Robinson, Mr Viggers and Dr Julian West. Ballot forms will be issued on October 27 and the ballot will close on November 28. Results will be announced soon afterwards.

Jim Kelly, Financial Services Staff

Certified accountants propose reforms

The Chartered Association of Certified Accountants, the UK's second biggest professional body for accountants, today publishes its blueprint for the independent regulation of the profession. The ACCA says its proposals go further than those put forward earlier this summer by the Institute of Chartered Accountants in England and Wales – the profession's leading body and principal regulator. The ACCA wants to see a new supervisory body financially independent of the accountancy profession. The present Auditing Practices Board would become fully independent and would report to the new body. The ACCA also wants the present Joint Disciplinary Scheme reformed, renamed, and "fairly financed" – it too would report to the new supervisory body.

Jim Kelly

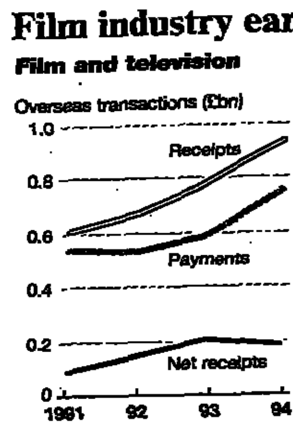
Final prosecution witness is heard at Maxwells' trial

The Maxwell fraud trial yesterday heard evidence from the last of 69 witnesses called by the prosecution. The prosecution will close its case today after the submission of further written evidence. Mr Kevin Maxwell, a son of the late publisher Robert Maxwell, will go into the witness box to give evidence on his own behalf next Monday. Mr Maxwell denies two charges of conspiring to defraud the Maxwell pension funds. His brother Mr Ian Maxwell and Mr Larry Trachtenberg, a former advisor to Robert Maxwell, both deny a single conspiracy charge.

John Mason, Law Courts Correspondent

Film industry earnings rise

Film and television



Source: CSO

The UK film and television industries secured a healthy increase in overseas earnings of 19 per cent to £938m ($1.45bn) last year against £788m in 1993. However, the amount spent on buying material and services from other countries rose even faster – by 28 per cent to £753m in 1994 from £588m in the previous year. As a result the net credit made by the industry on overseas transactions fell to £185m last year from £200m in 1993. The market for UK film and television material and services enjoyed strong growth in north America, where earnings rose by 18 per cent to £225m from £190m between the two years. Receipts from countries in the European Union showed higher growth of 41 per cent to £134m from £95m. There was also a significant increase in revenue from the use of UK production facilities by companies in other countries. Revenue from this source rose by 28 per cent to £176m from £137m. Payments outside Britain for production work increased sharply.

Alice Rawsthorn, Consumer Industries Staff

Couple fined $620 each for smuggling dog

A couple who rescued a dog in Israel were fined £400 ($620) each in a London court after they admitted smuggling the animal through the Channel Tunnel. Mr Graydon Denn, 29, and his wife brought the dog into Britain on a train from Paris. The British Isles are free of rabies and imported pets must be placed in official quarantine for six months at the owner's expense before being returned to their owners. There is no national vaccination programme.

PA News

TECHNOLOGY

Firecracker chips

Digital signal processors offer high performance at competitive prices, says **Tom Foremski**

Many of the leading innovations being developed for computer and telecommunications products owe their existence not to ever faster microprocessors but to another type of chip, called digital signal processors. Chip manufacturers say they cannot make enough of them.

These specialised chips offer high performance at low prices, many with a price below $10 (£6.40) compared with Intel Pentium microprocessors costing several hundred dollars. Yet they can perform their specialised tasks more efficiently than a Pentium. While a microprocessor such as the Pentium is good for a wide variety of general purpose processing, DSP chips are specially designed to handle the processing of video and audio data, anything that was once an analog signal.

The demand for DSPs is so strong that market leader Texas Instruments is to switch production of other kinds of chips to DSPs.

"The DSP market is as hot as a firecracker," says William Strauss, president of market research firm Forward Concepts which follows the DSP market. "A lot of the demand is being fuelled by the digital cellular communications market in Europe." The firm is predicting a 70 per cent jump in DSP chip sales this year, with growth continuing at a rate of about 40 per cent over the next five years.

Texas Instruments is leading the boom in DSP sales by dropping prices on some chips to below $5 each. Other DSP manufacturers such as Motorola, Analog Devices and AT&T are following suit and reporting large demand.

DSP chips are not only becoming cheaper but more powerful. Philips Semiconductors is preparing to introduce its TriMedia chip with a performance of about 4bn operations per second which compares with Pentium performance of around 200m operations per second.

While it is difficult to compare performance of DSPs with a general purpose microprocessor such as a Pentium purely on operations per second, "the TriMedia chip is still orders of magnitude faster than a Pentium. You would need a dozen Pentiums to do what a $50 TriMedia chip can do," says Strauss.

The high level of performance offered by DSP chips makes possible new kinds of applications that will provide services such as video broadcasts over standard telephone wires without the need for expensive fibre optic cables; improved speech recognition that could allow PC users to dictate documents and improved car automobile safety devices.

Set-top TV boxes, which will offer hundreds of TV channels and interactive services, are another important market for DSPs. This is a natural market for DSP chips such as Philips's TriMedia chip and similar chips being developed by Chromatic and MicroUnity.

These high-end DSP chips are sometimes termed multimedia accelerators and can process multiple video and audio data channels – important for the next generation of PCs and communications equipment.

The new high-end DSP chips can also be programmed in a similar way that software developers program general purpose microprocessors such as Pentium. A DSP could be programmed to handle several different tasks. For example, a unit could handle different types of communications, such as a fax, a modem and voice calls and be upgraded with new software instead of requiring a new chip.

The increasing importance of DSP technology has not gone unnoticed at Intel. Late last year, the leading microprocessor manufacturer introduced its Native Signal Processing (NSP) technology which aims to use the spare capacity of a Pentium-based PC to process DSP tasks. Intel has demonstrated a software-only version of the Proshare videoconferencing application without using DSP chips.

Intel's NSP strategy alarmed some DSP manufacturers who saw the move as an attempt to take part of their market, criticising Intel for attempting to sell more expensive Pentium microprocessors when DSPs were cheaper.

At the In-Stat annual conference in May, Curtis Crawford, president of AT&T Microelectronics, tried to galvanise his peers into action against NSP, calling it an attempt by Intel to monopolise the industry, saying that the consumer will suffer "because the industry will no longer be driven towards lower prices, innovation or customer service".

But Intel denies the charge, saying that NSP is part of a strategy to create a new basic PC architecture that can handle multimedia tasks without the need for additional hardware. A basic PC architecture would benefit PC users since software developers could develop advanced software applications – knowing that most PC users will be able to run them without the need for add-on boards.

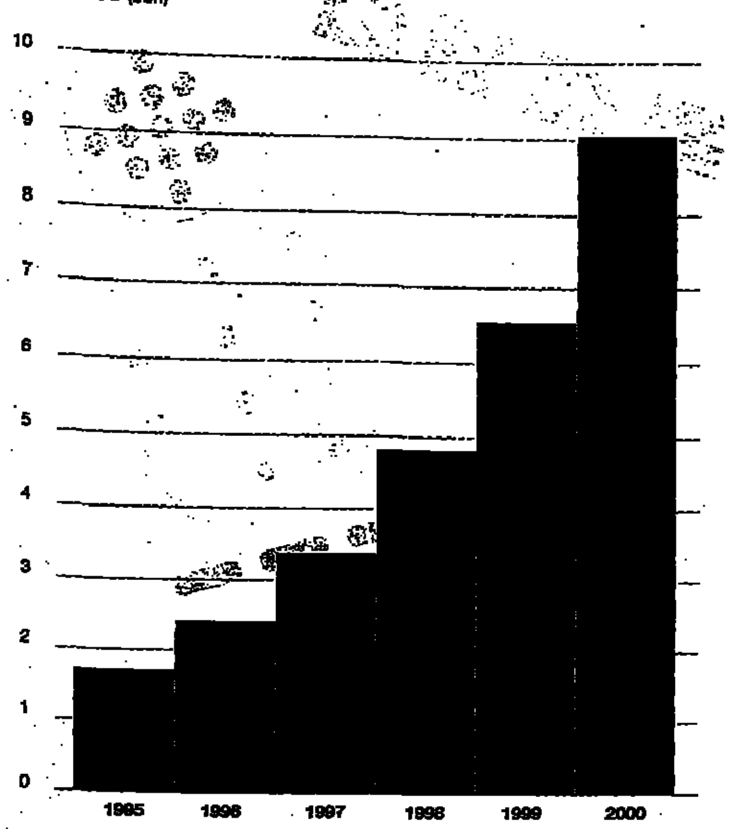
Intel's NSP strategy, however, ran into problems earlier this year when software giant Microsoft recommended that developers should not support it because there could be compatibility problems with Windows 95. Intel agreed to change the specifications for NSP and to work with Microsoft to develop a more compatible approach.

Despite the initial problems faced by NSP, Intel argues that its strategy will succeed. "It's a basic rule of the computer industry that hardware functions migrate to software," says Steve McGeady, vice-president at Intel, and the leader of the group at Intel Architecture Labs that developed NSP. "If you have a computer system that does 70 per cent general processing and 30 per cent DSP functions, as a PC manufacturer, it is hard to carry the design burden of an additional processor, especially in a fast-changing PC market."

Intel is developing a multimedia version of the Pentium, called the P55C, which will support NSP functions. Such a microprocessor could cut the price of PCs by as much as $100 since fewer additional chips will be required. Intel says that DSPs will still be needed for high-end audio or video features, but that will only be needed by a small minority of users. Most PC users will benefit from cheaper systems with more powerful features.

There is little that DSP manufacturers can do to stop Intel's NSP strategy, but the loss of a small part of the computer market is offset by vast demand in communications applications and in computer peripherals such as large hard drives. The impressive performance of DSP-based chips means that DSP technology will be increasingly important in a wide range of future high-tech consumer electronics products.

DSP chip sales
Worldwide ($bn)



Source: Forward Concepts

Mission to Mars on the horizon

European and American scientists are hoping to make Martian history in 2003, reports **Miranda Eadie**

European and American scientists are preparing the ground for a mission to Mars in 2003, the first since the Viking probes in 1976.

A proposed joint mission between Nasa and the European Space Agency will compete for selection with other space projects under the ESA's Space Science Horizon 2000 Programme to be decided next year.

The proposed Intermarsnet mission would explore the *internal structure and atmosphere* of the planet and gather information on its geological and geochemical make-up. It plans to send a satellite orbiting Mars and a network of up to four scientific laboratories.

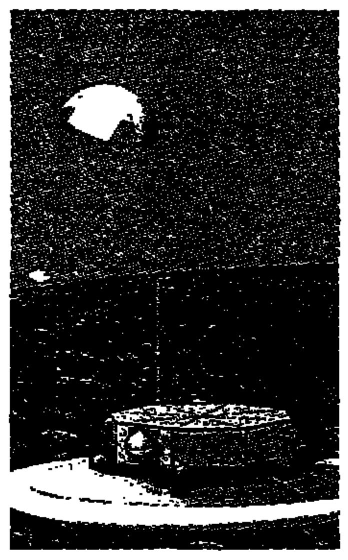
The network of laboratories, a first in Martian history, would allow comparison of simultaneous measurements taken at different points on the planet that will enable in-depth meteorological and seismological studies. The orbiter satellite would be used for reconnaissance and to relay data back to Earth.

The last successful missions to Mars, and the only ones to have placed a science lab on its surface, were the two Viking missions of 1976. These mapped 97 per cent of the surface and revealed Mars to be a frozen wasteland with dry canyons and towering volcanoes. Its insubstantial atmosphere was found to consist almost entirely of carbon dioxide and the gravity pull to be a third of that on Earth. Although no conclusive signs of life were found, all the basic elements for it were discovered: water, carbon, oxygen (in the form of carbon dioxide) and nitrogen.

"The Intermarsnet mission would go beyond the Viking missions in all areas," says Agustin Chicarro, study scientist on the project. "The emphasis is being shifted away from the search for life on Mars towards the internal structure and activity of Mars and its atmospheric dynamics on a global scale," says Chicarro, who was among scientists gathered in Capri, Italy, recently in an attempt to bolster support for the Mars project.

"The study of Mars would deepen our understanding of the formation, evolution and history of the solar system," he says. "Comparative planetology can provide significant clues for assessing current environmental challenges facing our planet."

Europe, Japan, Russia and America are all currently planning missions to Mars, the most Earth-like planet in the solar system. Their missions are being co-ordinated by the International Mars Exploration Working Group, *which was created in 1993 by most* of the world's space agencies to define a common strategy for the robotic and human exploration of Mars.



Simulation of science labs on Mars

Their aim is to build a progressive programme of Mars missions. "People don't want to see happen what happened with the Apollo programme," says Chicarro, "which ended just as it was becoming exciting." The current programme shows development from satellites and labs to rovers and eventually sample returns.

Chicarro believes that sending a human to Mars, which would be a more complex project than an unmanned mission, is more a political than scientific question. "It would need a very general consensus of politicians and other people to make it possible because it would be a huge financial drain," he says. Estimates of the cost range from $50bn (£32bn) to $500bn – up to 20 times the cost of the Apollo Moon missions. "No human landing on Mars before 2025 could reasonably be foreseen today," says Chicarro.

Creating an environment habitable for humans may be possible, but unlikely in the foreseeable future. Greenhouse gases would be used to warm the planet to release carbon dioxide and melt frozen water. Bacteria and plants could then be introduced to produce oxygen needed to support respiration. A protective barrier of gases such as ozone would also be needed to prevent harmful radiation reaching the surface. "It's theoretically possible," says Chicarro, "but it would take thousands of years, and if it's done one day it would be way in the future."

Intermarsnet, which represents the convergence of current European and American Mars projects, is one of five candidates seeking selection. The other candidate missions are: Cobras/Samba (the investigation of the background radiation of the universe), Stars (the study of the structure and dynamics of stars), Step (the testing of Einstein's equivalence principle), and Moro (which would send an orbiter to the Moon).

The mission is expected to cost about $700m, with $400m contributed by the ESA, $200m from Nasa, and $100m funded by national agencies.

ESA would provide the orbiter spacecraft and the launch by Ariane 5, while Nasa would contribute the four landers. These would be derived from the US Mars Surveyor Programme, which intends to send a spacecraft to Mars every two years from 1996.

It would take the Intermarsnet spacecraft seven months to reach Mars from Earth, travelling at an average speed of about 22,860 km per hour. Investigations would be carried out over one Martian year (687 days).

LEGAL NOTICES

The High Court. No: 0011678 of 1995
THE INSOLVENCY RULES 1986
PURSUANT TO RULE 2.11
NOTICE OF APPOINTMENT OF JOINT ADMINISTRATORS
IN THE MATTER OF W.WAIDE POLLARD & SONS LIMITED
AND
IN THE MATTER OF THE INSOLVENCY ACT 1986
REGISTERED NUMBER: 181366
NATURE OF BUSINESS: RETAILERS OF CLOTHING AND TEXTILES
TRADE CLASSIFICATION: 17
ADMINISTRATION ORDER MADE: 28 SEPTEMBER 1995
NAME & ADDRESS OF JOINT ADMINISTRATORS: Barry David Lewis FCA, MSPI & David Solomons MIPA, MSPI Harris Lipman, 2 Mountview Court, 310 Friern Barnet Lane, Whetstone, London N20 0YZ
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The staff currently providing this service will be available to the successful contractor under a TUPE transfer.

An Information Memorandum containing more information about Companies House and the Office Services Functions, together with advice to potential applicants, will be available from 10 October 1995 by applying in writing only to: **Mr Phil Lewis, Contractorisation Team, R 3.44, Companies House, Crown Way, Maindy, Cardiff CF4 3UZ. Fax: 01222 380617.**

The Information Memorandum will contain a questionnaire to be completed by potential applicants and returned by noon on 6 November 1995. Responses will be considered by the DTI who intend to shortlist up to six qualified applicants to submit a tender.

Companies House reserves the right to annul the tendering process and not to award a contract.

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The application should contain the following information:

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The activities for which the concession is required;

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ARTS

A sculptor at the cutting edge

William Packer admires the work of Eduardo Chillida

Eduardo Chillida is now 71 and, along with his coevals, our own sculptor knights, Eduardo Paolozzi and Anthony Caro, and the somewhat younger American minimalist, Richard Serra, he stands as one of the four great sculptors still active on the international stage.

This assertion, however, requires a little clarification: for by sculptor, I mean not one who merely accepts and redisposes any given material or form, but one who modifies it utterly – modelling, casting, welding, carving, cutting or twisting it into something entirely singular, personal and new. It is the direct and active product of the artist's hand that counts, no matter that its final monumental state may be achieved only by mechanical or industrial means.

Of this famous four, Chillida is by far the least well known in Britain, even though he has enjoyed enormous success throughout Europe and America. In his native Spain he is a star. In 1990 he was given the rare honour of an *ommaggio* exhibition at the Venice Biennale, and the following year, *mirabile dictu*, a retrospective at the Hayward Gallery, his first proper showing in London in nearly 30 years. But it seems to have made little difference, for still the only thing we have of his in any public collection is the comparatively small piece which the Tate acquired in 1965. Fine though that piece is, such paltry representation, most especially in the light of the indulgence shown to lesser if more fashionable artists, is a scandal.

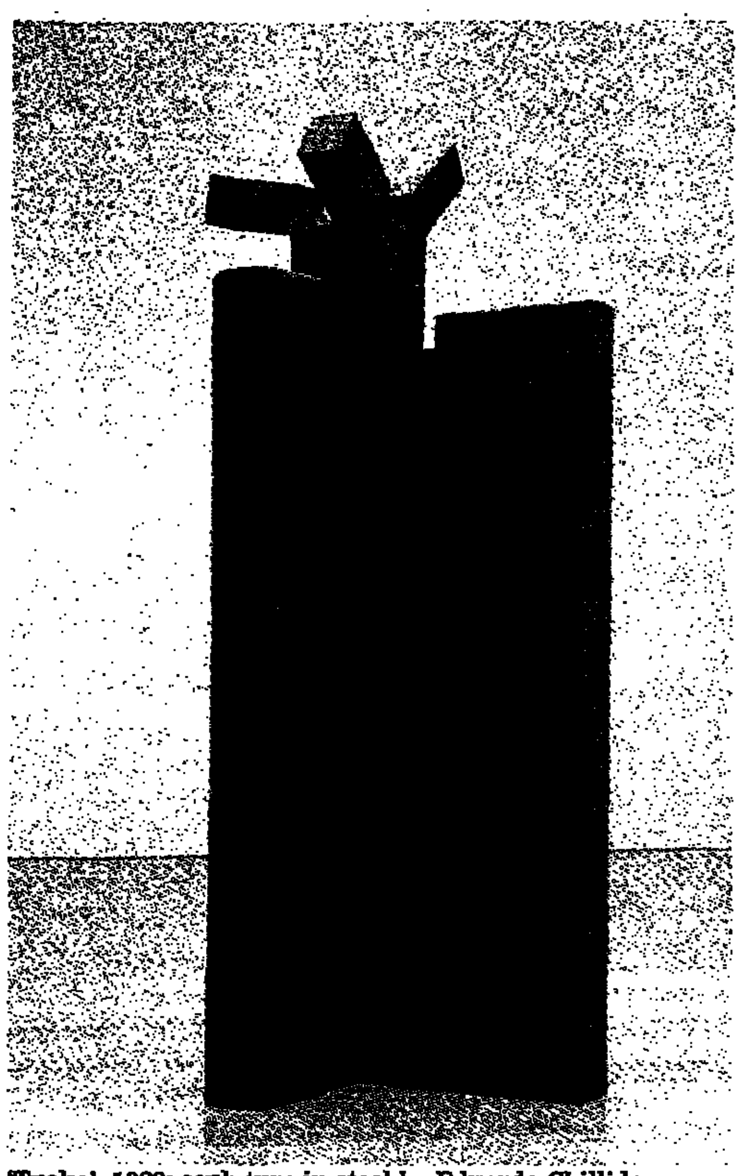
At the Annely Juda gallery, where he is being shown for the second time in recent years, the point is inescapable. He is a metal-worker, cutting, heating and bending his material to the required form; a modeller in clay; and a stone-carver too. He is also, in all of this, something of a minimalist. There is the block or slab of steel, the chunk of stone or dollop of fired clay, unarguably what it is in the monumental simplicity of its presence – that monumentality as manifest in the smallest as in the largest of the works. Take it or leave it – and taken or left as maybe, a ton or two of granite or mild steel is impressive enough in itself, and no less so, perhaps, in our knowing that it is in a gallery four floors up.

But Chillida is a romantic too, and while he retains in everything he does this matter-of-fact directness of both material and practice, the references he makes and the associations he summons up are altogether more ambiguous – monoliths and totems, altars and sanctuaries, towers and citadels. The rising metal columns are bent gently this way and that – not so gently in fact in the actual heat of manufacture – so that they move across and against each other like branches, fronds or reeds in a breeze. Or are they like fingers clutching at air? Indeed the only directly figurative works in the show are drawings of hands, for Chillida has always been fascinated by the hand and has drawn it repeatedly. His huge "Combs of the Wind" that sit dramatically on the cliffs near San Sebastian, twist and clutch just so to catch the spray as the waves crash on the rocks below.

Here in the gallery it is the imagery of the tower and citadel, enclosed and protective, that predominates, though the branches still rear and sway above the battlements of the tallest of his metal towers. For the most part, such movement is now either absent entirely, or merely hinted at, implicit in the gentle sway and shimmy of the narrow tower itself as it rises, or in the plumper kneading of the clay, like dough.

The stone-carvings, true to their intractable material, have never been developed by Chillida as such images of organic growth or movement, how ever marginal or faint the hint might be. Rather they are ambiguous images not so much of enclosures as of penetrations – caves, tunnels and chambers in the living rock: an interior world revealed rather than contained. It is to this aspect of the work that the shallow cut-paper collages and reliefs, as opposed to the drawings, directly relate, but in a contrary way. For with them the visual invitation to enter, which the carvings so freely give, is withdrawn even as it is offered, as one mazy layer slides away beneath another – images of locks, buried circuits, secret channels.

It would be a mistake, however, to suppose that Chillida's work falls too easily into its several compartments, separated by medium and image. The refinement with which it is all done would be enough to bring it together, for his simplicity of statement is as beautifully judged as it is deceptive. But the imagery, and the preoccupations it represents are in truth all of a piece, and underlying all is the opposition between the open and the closed, the organic and the inert, whether it is the clasped hands that grasp and hold, or the rock that is to be broken open. It is an opposition as fundamental to our nature as it could be – matter indeed of life and death.



'Txoko', 1989: sculpture in steel by Eduardo Chillida

Eduardo Chillida - sculpture and works on paper: Annely Juda Fine Art, 23 Dering Street W1, until November 28.

Theatre/**Sarah Hemming**

Stylish cabinet of sinister freaks

Nottingham Playhouse's *The Cabinet of Doktor Caligari* opened, appropriately, on the same weekend as the city's Goose Fair. The fair used to be the place where "freaks" were displayed, sad specimens of the kind found in Doktor Caligari's cabinet.

Martin Duncan's atmospheric production touches on questions about serial murder, abusive control, evil, and the public's morbid fascination with oddities. But though it raises much, it addresses very little and the result is an impressive but inconclusive production that leaves you somewhat bewildered as to its *raison d'être*.

In style, it draws inspiration from the 1920 German Expressionist film of the same name. Barry Simner's text tells the story in short, splintered scenes: Lili and her two suitors, Max and Josef, visit the fair, and are unnerved by Doktor Caligari's side-show and his exhibit, the somnambulist Cesaré who displays disturbing clairvoyant powers. When Josef is murdered and Lili herself is captured, Max grows suspicious, pursues Caligari and finds him in control of an asylum where his conveniently candid diary reveals him to be a control freak, bent on committing murder through one of his sleepwalking patients.

The style of Simner's writing and of Duncan's production keep the whole thing at arm's length, lending the story an alienated, nightmarish feel. Ken Lee's stylised set is claustrophobically surreal, while the production is underpinned by a menacing soundtrack by Peter Salem and Walter Fabeck. Fabeck employs a new instrument of his own creation, the suitably bizarre "Chromasone". A mobile keyboard that tilts and rotates, it is played by gesture by a performer wearing "data" gloves, who weaves around the instrument in a macabre dance to produce electronic. Very strange, very Expressionist, very fitting.

But though the show's sinister style is compelling, it is not quite enough to sustain you. The programme is packed with interesting snippets touching on a wide range of themes that you hope will be explored in the production. There is a piece by Oliver Sachs about the real and unsettling nature of sleeping sickness, another about the fascination of serial killers, another about freak shows and another exploring the story's significance for Nazi Germany. But each idea seems to be a cul-de-sac. Duncan's production hints at intriguing parallels – as Caligari cradles the miserable Cesaré on one side of the stage, Lili's doctor father echoes that behaviour on the other – but does not follow them up.

The ensemble cast is strong, although again, the style means that psychological intricacy and depth are off the menu. Hence Matthew Kelly is chilling as Doktor Caligari, but nothing more. John Ramm is unnerving as his sad, mesmerised charge, and everyone else has little to go on. This powerful and atmospheric production is another bold move from Nottingham Playhouse, whose programme is far from dull, run-of-the-mill routine, but you emerge as bemused as to the final purpose of it as you might from the freak show itself.

Continues to Oct 21 at Nottingham Playhouse (0115-941 9419): a co-production with the Lyric Theatre, Hammersmith where it transfers on Oct 26 (0181-741 2311).

Opera in Zurich/**Andrew Clark**

A poetic view of Hoffmann's fantasies

Rare is the production of *Les Contes d'Hoffmann* which lends Offenbach's sprawling opera a sense of dramatic unity, while giving full rein to Hoffmann's fantasies. The first new staging of the Zurich season succeeds in doing just that – and it comes as quite a surprise.

Cesare Lievi, the Vienna-based stage director, has coated his other recent productions with academic veneer. *Hoffmann* dispels that impression. Lievi's designer, Maurizio Balò, frames the performance with a wall of outsize books. And who should emerge from the bookends? None other than Niklausse, the poet's muse. After the prologue, the books are stacked at the side, leaving space for Hoffmann to meet Olympia, Antonia and Giulietta. Spalanzani's laboratory is little more than a desk and a chorus of mechanical dolls. Crespel's house is decorated with designs of musical instruments. Giulietta's Venice is not a sea of gondolas but the deck of a cruise liner, populated by a 1920s *beau-monde*. Thanks to the bookends, we see everything as Hoffmann sees it: through a filter of poetic imagination.

Lievi is less successful in his direction of the cast, most of whom rely on their own stage experience to bring their characters to life. As Hoffmann, Neil Shicoff plays himself – intense, boyish, neurotic and vaguely effeminate. He was in tremendous, tremulous voice, every bit the star. Ruggero Raimondi made a polished role-debut as Hoffmann's four adversaries – a Bartolo-like Coppelius, a Mephistophelian Dr Miracle, a suave Dapertutto in white naval uniform and a Lindorf who could have doubled as Don Giovanni. Whatever his incarnation, he was plausible and insidious – and singing beautifully.

Of Hoffmann's three loves, Elena Mosuc's Olympia cut the clearest profile: she was the least mechanical doll I have seen, her lifelike quality underlining the power of Hoffmann's delusion. In contrast to so many Olympias, she never sounded like a voice-machine. Daniela Dessi's pretty Antonia was spoilt by poor French and a disengaged stage presence. Cecilia Gasdia's courtesan resembled Sally Bowles in a bustle – a flighty girl with a heart of gold. Gabriela Sima was the spirited Niklausse, and Volker Vogel – *Spieltenor* par excellence – gave a series of witty cameos.

This was Franz Welser-Möst's first new production as chief conductor of the Zurich Opera House. It was a well-rehearsed debut, with plenty of pace, but too loud and heavy-handed to yield authentic fizz. Conducting in Zurich must be a welcome relief to London: there is a contented orchestra, a Germanic tradition, a sympathetic press. But Welser-Möst has made exactly the same mistake as before – taking on a big job before gaining the necessary experience. He has talent, but he should have been out in the sticks learning the repertoire before succumbing to the charm of the Opera House director, Alexander Pereira.

Both in fine voice: Ruggero Raimondi with Neil Shicoff in the title role in Zurich

Kirov's 'Prince Igor'

The Kirov Opera played Borodin's *Prince Igor* on Friday, for a Royal Gala at the Royal Albert Hall. In effect it was a benefit concert for the Kirov, which needs money for modernisation: a worthy cause, no doubt. But what a choice for a gala!

Prince Igor is the exotic-pageantry-and-dance opera *par excellence*, and if it were not – if it had to depend upon its epically sketchy plot and its simplified characters – it would have been abandoned as a stage proposition long ago. At the Albert Hall the Kirov principals, semaphoring away on a minuscule platform, were grandly costumed, the choruses sat in evening dress to either side of them, and there was a token handful of dancers.

They would have looked silly as the Polovtsian Dances roared toward barbaric heights, so they simply decamped. We heard the Dances played – rousingly, to be sure, as conducted by Valery Gergiev – before an empty stage. For an expensive "gala", a pocket-sized, tight-budget production must be a disappointment. Instead of attempting a "semi-staged" version, especially when the splendid Covent Garden staging is still fresh in memory, it would have been better to dress *everybody* in sumptuous costumes, and let them just stand and deliver.

In the event they delivered very well, granted that the huge Albert Hall is unfriendly to less than stentorian voices. The sound-barrier was well broken by Galina Gorchakova as Igor's wife (a beautiful, heartfelt performance), Larissa Diadkova as the Polovtsian princess (her sexy, cultivated mezzo was seductive in spades), Vladimir Galusin as Igor's romantic son, and Grigory Karasov's low-life scamp Skula.

His fellow *gudock*-player Yeroshka – a *gudock*, I find, is a kind of rebec: does that help? – was Nikolai Gassiev, the degenerate Prince Galitsky Sergei Alexashkin, Igor himself the sober and sensitive Mikhail Kit, and the invading Khan Bulat Minzhilkiev. All of those would have made stronger impressions in a proper opera-house. The female chorus surmounted any sense of constraint with lovely, thoroughly musical singing; the male chorus, not very numerous, was often swallowed up by the orchestra.

I should note that the Kirov performs *Prince Igor* in a new arrangement (as on their 1990 CDs). Borodin died suddenly at 53, having written an enormous quantity of music for his intended opera – in no particular order – over some 18 years. The "standard" version is by Rimsky-Korsakov and Glazunov, who made their own selections from that chaotic material and re-orchestrated nearly all of it. Few of Borodin's original manuscripts have been preserved.

On the slimmest of textual evidence, the Kirov has reversed the order of the first two acts and re-instated an aria for Igor which Borodin scrapped in favour of the one we already know from the original Act 2. The latter addition gives Igor more to do, to little purpose; and the act-switch spoils the effect of the "exotic" Polovtsian irruption after the sterner, Orthodox-based "Russian" music. It comes too early now, before the plain Russian mode has established itself. The Kirov should reconsider that.

David Murray

INTERNATIONAL ARTS GUIDE

AMSTERDAM

GALLERIES
Stedelijk Tel: (020) 573 2911
● Christiaan Bastiaans: giant video installation; from Oct 14 to Nov 26
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 12, 15 (1.30pm), 17

BALTIMORE

CONCERTS
Symphony Hall Tel: (410) 783 8000
● Baltimore Symphony Orchestra: with soprano Janice Chandler. Christopher Seaman conducts Bach, Villa-Lobos, R. Strauss and Schumann; 8pm; Oct 13, 14, 15 (3pm)
● Baltimore Symphony Orchestra: with soprano Harolyn Blackwell, mezzo-soprano Delores Ziegler and tenor Karl Dent. Robert Shaw conducts Barber and Mozart; 8.15pm; Oct 19
● The Philadelphia Orchestra: Wolfgang Sawallisch conducts Wagner's "Faust, Overture", "Symphony No.2" and "Rienzi, Overture" and Beethoven's "Symphony No.4"; 7.30pm; Oct 11
GALLERIES
Baltimore Museum Tel: (410) 396 6310
● Parallels and Precedents: 19th century French art from the George A. Lucas Collection. The exhibition highlights the parallels between the Lucas Collection and permanent collections in the BMA and the Walters Art Gallery with more than 100 pieces by artists such as Monet, Matisse and Pissaro; to Oct 15

BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Götterdämmerung: By Wagner. Conducted by Jiří Kout and directed by Götz Friedrich, this performance concludes the complete cycle; 5pm; Oct 15
● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani; 7.30pm; Oct 13
● Siegfried: by Wagner. Conducted by Jiří Kout and directed by Götz Friedrich; 5.30pm; Oct 12

LONDON

CONCERTS
Queen Elizabeth Hall Tel: (0171) 928 8800
● London Mozart Players: with pianist Cécile Ousset. Matthias Bamert conducts Mozart, Fauré, Saint-Saens and Bizet; 7.45pm; Oct 11
Royal Festival Hall Tel: (0171) 928 8800
● Philharmonia Orchestra: with pianist András Schiff. Kurt Sanderling conducts Beethoven's "Piano Concerto No.1" and "Piano Concerto No.5 (Emperor)"; 7.30pm; Oct 11
● Philharmonia Orchestra: Christoph von Dohnányi conducts Richard Rodney Bennett and Mahler; 7.30pm; Oct 19
● The London Philharmonic: with pianist Rolf Hind. Franz Welser-Möst conducts Sibelius's "Finlandia" and "Symphony No.1" and Ruder's "Piano Concerto"; 7.30pm; Oct 10
● The London Philharmonic: with soprano Rosalind Plowright and the London Philharmonic Choir. Roger Norrington conducts Beethoven, Gluck, Weber, Berlioz and Spontini; 7.30pm; Oct 15
● The London Philharmonic: Roger Norrington conducts an all-Berlioz programme; 7.30pm; Oct 18
GALLERIES
Photographers Gallery Tel: (0171) 831 1772
● Appeal to this Age: photographs of the American Civil Rights Movement by artists such as Gordon Parks and James Karales; to Oct 14
Saatchi Tel: (0171) 624 8299
● Young British Artists V: works by Kerry Stewart, Glenn Brown, Keith Coventy and Hadrian Pigott; to Dec 30
OPERA/BALLET
Royal Opera House Tel: (0171) 304 4000
● The Marriage of Figaro: by Mozart. Conducted by Bernard Haitink/David Syrus and directed by Patrick Young. Soloists include Felicity Lott/Cheryl Studer, Andrea Rost/Barbara Bonney and Robin Leggate/Ryland Davies; 7pm; Oct 10, 13, 16, 18
● Tosca: by Puccini. Conducted by Simone Young and directed by Jeremy Sutcliffe. Soloists include Galina Gorchakova, Johan Bohta and Francis Egerton; 7.30pm; Oct 12, 17
THEATRE
Donmar Warehouse Tel: (0171) 369 1732
● The Glass Menagerie: by Tennessee Williams, directed by Sam Mendes. Cast includes Zöe Wanamaker and Claire Skinner; 8pm; to Nov 5

NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● Lincoln Center Jazz Orchestra: Wynton Marsalis conducts a programme that includes Ellington, Monk and Mingus; 8pm; Oct 16
Carnegie Hall Tel: (212) 247 7800
● New Orleans to Now: with the Carnegie Hall Jazz Band, this concert gives an overview of the history of jazz from early New Orleans through the swing years of bebop; 8pm; Oct 12
● The Met Orchestra: with bass baritone Bryn Terfel. James Levine conducts Mahler's "Kindertoten lieder" and "Symphony No.6"; 3pm; Oct 15
GALLERIES
Guggenheim Tel: (212) 423 3500
● Claes Oldenburg: an anthology of works by one of the key figures of Pop art in the 1960's. This exhibition includes a new piece entitled "Shuttlecock"; to Jan 14
Metropolitan
● Rembrandt/Not Rembrandt: 22 Rembrandt fakes are compared with 18 genuine articles; to Jan 7
Museum of Modern Art Tel: (212) 708 9480
● Annette Messager: retrospective of the French artist consisting of books, photographs and installations that demonstrate how all things can represent objects of expression; from Oct 12 to Jan 16
Whitney Museum
● Edward Hopper: impact on American art by the artist through 65 works; to Oct 15

PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● José van Dam: bass baritone accompanied by pianist Maciej Pikulski plays Schubert's "Le Voyage d'Hiver"; 8.30pm; Oct 14
● National Orchestra of France: with bass baritone José van Dam. Serge Baudo conducts Berlioz, Delibes, Massenet and Wagner; 8.30pm; Oct 17
GALLERIES
Arts d'Afrique et d'Océanie Tel: (1) 44 74 84 80
● Gallery of the Five Continents: five artists produce works that represents their continent and cultural heritage. The artists include Joe Ben Junior, Jackson Pollock and Huang Yong Ping; to Jan 15

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with pianist Horacio Gutiérrez. Raymond Leppard conducts Brahms' "Tragic Overture" and "Piano Concerto No.1" and Schubert's "Symphony No.4"; 7.30pm; Oct 12, 13, 14
● National Symphony Orchestra: with pianist James Tocco. George Manahan conducts Debussy's "Iberia", Stravinsky's "Concerto for Piano and Wind Instruments" and Rachmaninoff's "Symphonic Dances"; 8.30pm; Oct 19
● Washington Chamber Symphony: Stephen Simon conducts Vivaldi, Argento and Haydn; 7.30pm; Oct 13, 14
GALLERIES
National Gallery Tel: (202) 737 4215
● A Great Heritage: Renaissance and Baroque drawings from Chatsworth consisting of 105 works by artists such as Rembrandt, van Dyck and Raphael; to Dec 31
OPERA/BALLET
Kennedy Center Tel: (202) 467 4600
● Suzanne Farrel Staged Balanchine: an evening of George Balanchine choreographed pieces performed by the Washington Ballet. The programme includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 17, 18, 19
THEATRE
Arena Stage Tel: (202) 488 3300
● The Plough and the Stars: by Sean O'Casey. Tragicomedy of urban warfare during the Easter Rebellion against the British. Directed by Kyle Donnelly; to Oct 15

WORLD SERVICE

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Elite corps under attack

France's academy for top people is being criticised for perpetuating rigidity, says Andrew Jack

As France's elite public service training school marked its 50th birthday yesterday the celebrations were tarnished by criticism of some of its most prominent graduates and of the institution itself.

The Ecole Nationale d'Administration's (ENA) 5,000 graduates – or "enarques" – hold some of the most senior positions in the French civil service, business world and politics. They include Mr Jacques Chirac, the president, Mr Alain Juppé, his prime minister, and Mr Lionel Jospin, soon to take over as opposition Socialist party leader – as well as the heads of large companies such as Elf Aquitaine, Renault, Société Générale and France Télécom.

But opinion is divided over whether the school's anniversary should be a time for celebration or condemnation. The college has been accused of perpetuating excessive centralisation and rigidity through its *pensée unique*, and of inspiring an elitism that many blame for recent business and political scandals.

"It is horribly badly adapted to today's world," says Mr Michel Crozier, a sociologist and business consultant. "It turns out people who think they know everything and do not listen."

ENA was created in October 1945 by General Charles de Gaulle, at the suggestion of Michel Debré, then minister for reform of the state. The aim was to provide a group of professionally trained civil servants at a time of postwar reconstruction to counter the elitism and nepotism that had previously characterised senior public-sector appointments. It was also meant to find new talent to replace those who had collaborated with the Germans during the Vichy era.

Housed in impressive premises in Paris's wealthy seventh arrondissement, ENA is admired in many countries for the training it provides to those aiming for senior civil service careers. It admits about 100 students from France each year, with a further dozen or more from abroad, from the hundreds of applicants who sit the stiff entry examinations.

The 27-month course includes units on administration and public policy, and students are required to become proficient in two foreign languages. During the course each student spends six months in a prefecture outside Paris. A second six-month placement is often spent in other countries such as the United States, and sometimes working for a company in the private sector.

The rest of the course is equally divided between Paris and Strasbourg, working on mock briefings for ministers or projects, individually and in small groups. To graduate, each student must undergo a "grand oral", fielding questions from five notable people for 45 minutes timed by a special four-faced clock.

Those who achieve the top marks in the ENA exams can join one of four "grands corps" public institutions such as the inspection des finances, the senior public-sector financial inspectorate.

In the past, this in effect guaranteed a job for life, even for those who spent time outside the public sector and then returned later in life. However, this safety net was abolished last year as a response to criticism of the practice.

In the 50 years since it was founded ENA has carved out a central role at the heart of the French establishment. The list of its graduates is a Who's Who of modern French leaders. At present eight graduates are serving as government ministers and 40 as deputies and senators. While three quarters are civil servants, the 15 per cent who work in the private sector include the heads of 41 of the country's top 200 companies.

Ironically, it was Mr Chirac who helped stoke the debate over the influence of ENA in his election campaign early this year. He argued that the closed ranks of the elite contributed to growing social divisions in French society which ran counter to its republican values.

Attacks on enarques are nothing new, however. In 1973, Baron Bich, the founder of the Bic lighters, pens and shavers company, wrote: "Technocracy is the malaise of our era; coming from the highest levels (ENA), it conquers every rank ... it creates a plethora of managers and organisers, but when it comes to doing the job, there is no one left."

However, discontent over the college's role has been heightened by the part played by its graduates in some business scandals. They include Mr Jean-Yves Haberer, a top-ranking graduate who was displaced as chairman of Crédit Lyonnais, the state-owned bank which has lost more than FFr21bn in the past three years.

According to Mr Claude Bébéar, chairman of the French insurer Axa, many enarques were "parachuted" from the public sector into senior positions in state-controlled companies about which they knew little, above the heads of those who knew the business.

"There are some extremely impressive enarques," says Mr Bébéar. "And we will recruit them while they are still young if they are good. They are often very intelligent, but that is not the only thing that is important in business."

Mr Crozier is much more critical: "ENA had a very positive role at the start, but that only really lasted for half-a-dozen years. There is no serious reflection on the future – I find it scandalous."

Mr Crozier – who says the celebrations of ENA's birthday are an exercise in "self-glorification" – claims that ENA has failed to produce any of the most visionary of France's postwar administrators. Mr Jean Monnet, architect of the European Community, and Mr Jacques Delors, EU president until earlier this year, reached the top without entering its portals.

Mr Jean-Michel Gaillard, an enarque and author of a recent book on ENA, argues that the school continues to draw many students from relatively privileged backgrounds. He criticises the "tyranny" of the corps and says it has failed to break down the barriers between government departments, one of its original goals.

But ultimately he points out that it has trained thousands of effective, professional civil servants, most of whom remain essential cogs within the public sector. He says: "ENA has become an exaggerated symbol and scapegoat for all the current problems of the French state."

Old school: (clockwise from top left) Chirac, Juppé, Jean-Yves Haberer, formerly of Crédit Lyonnais, Louis Schweitzer of Renault

Europa: Pedro Schwartz

Criteria for confusion

Spaniards used to think that the single European currency was a good thing for Europe and for Spain. But the recent heated disagreements about its launch date have surprised Spanish public opinion. And the repeated stalling of the exchange rate mechanism – and the obvious impossibility of Spain meeting the Maastricht criteria for economic convergence in good time – have plunged the business community into deep confusion.

Last week I saw Gary Becker, the 1992 Nobel economics laureate, who had come to speak in Madrid, being questioned repeatedly about the likelihood of European monetary union. I found questioners' insistence on addressing this one particular issue in itself an indication of mounting disquiet: Prof Becker had come to speak about something altogether different.

He did not dwell for long on the usual argument against a single currency: that flexible exchange rates allow a country with rigid labour markets to regain competitiveness without an undue increase in unemployment. The trade effects of a devaluation are usually short-lived and, in any case, may not all be positive in a country, like Spain, which has a number of diverse regions with stark differences in their economic structure.

Instead, he struck at the core of the case for Emu by presenting flexible exchange rates as a more reliable disciplining mechanism than a single money issued by a European central bank. He argued that competition between national currencies, allowing individuals to pick their currency of choice for the job in hand, was a better safeguard against inflation than a rule-driven bureaucratic institution.

In the audience was Mr Miguel Boyer, a former Socialist economics minister and member of the Delors Commission on the European Monetary System. Citing not only the perverse effects of trying to impose external discipline on governments intent on overspending, but also the very imperfect functioning of the EMS as a precursor to monetary union, Mr Boyer surprised everyone present by saying he regretted signing the Delors report and recommending the EMS and Emu.

It is now obvious that the mere invocation of the Maastricht criteria has done little to bring the Spanish state back to financial orthodoxy, let alone to managing its public sector sensibly.

Not even a fluctuation band of plus or minus 15 per cent is saving the French franc from speculative assaults

It is true that partial reform of the labour market was carried out by the government, which argued that economic flexibility was needed to alleviate the unemployment resulting from a stricter financial policy. Meanwhile, attempts to reduce the losses made by public enterprises have been underpinned by reminders that the government needed to cut its deficit.

But budget cuts have been more apparent than real. This has resulted in tension between tight monetary policies and generous public expenditure. Once such tension develops, speculation against the peseta and its eventual devaluation are inevitable.

The defective functioning of the EMS has contributed to a growing loss of confidence in the likelihood of a future single currency. Not even a fluctuation band of plus or minus 15 per cent is saving the French franc from speculative assaults. This was predictable, since it is well known that limits, broad or narrow, to the fluctuation of pegged currencies are an incitement to speculation not a cure for it.

But the relative stability of the EMS for a number of years after its creation made many Spaniards believe the great expectations of the bureaucrats that devised it.

The recent meeting of EU finance ministers in Valencia confirmed 1999 as the date when Emu will be launched in those EU member states that fulfil the Maastricht conditions. But a combination of three factors is making Spaniards sceptical that this date is feasible. These are, first, the feeling that the Maastricht criteria have been badly defined; second, the new insistence by Germany that the criteria be made more severe; and, third, the fear – almost amounting to a conviction – that Spain cannot meet even the more lenient conditions.

Prof Becker joined a number of Spanish economists in criticising these criteria for being wrongly chosen or at best incomplete. The principal criterion – limiting public deficits to at most 3 per cent of gross domestic product – is felt increasingly to miss the point.

This is because fast growing redistributive public spending above a reasonable limit inevitably weakens any capitalist economy. The public deficit is only a symptom of this, whether it is financed by inflation or public debt.

It is possible for excessive expansion to continue in spite of the ceiling on the deficit if the government in question collects more in taxes. Indeed, Germany's increase of taxes to finance public investment in the east demonstrated that scrupulous obedience to the Maastricht criteria is not always enough to check imprudent increases in public expenditure.

What Maastricht should have done was set a limit on public expenditure, or imposed a ceiling on the proportion of taxes that could be levied in relation to GDP.

The wariness of German public opinion with regard to any monetary scheme that might upset monetary stability has led some German politicians to float the idea of tightening entry conditions, mainly by lowering the deficit ceiling to 1 per cent of GDP. This would make it even less likely that Spain could join Emu in 1999.

Last weekend, Mr José María Aznar, leader of the opposition Partido Popular, said in private that meeting even the present conditions would exact an intolerable social price on Spain. Some of his advisers have argued that Spain should veto the creation of a narrow Emu, excluding Spain and other Mediterranean countries, from the premier division of the European league.

The last straw for many Spaniards was the dumping of the name "Ecu" for the prospective single currency, in favour of the even blander "Euro". Spaniards want to know what was wrong with Ecu in the first place and why so much time is being wasted in discussing a name, when so many more serious problems remain to be addressed.

The author is chief economist at Fincorp AV, the Madrid stockbroker

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Asia's challenge is to sustain growth and environment

From Mr Owen Cylke.

Sir, Hidden in Peter Montagnon's growth forecasts for Asia is the reality that the region has yet to install 80 per cent of the industrial capacity that it will have by the year 2010 ("Survey of World Economy and Finance: Brakes go on to curb growth", October 6). Only 20 per cent of the industrial capacity among the OECD nations will be new in 2010 as measured from today. Think about it. Assuming a constant ratio between output growth and the capital stock in manufacturing, current growth forecasts translate into a doubling of the equipment stock for manufacturing in Asia every six years. In less than one generation, the rapidly growing countries in Asia will virtually replace their entire capital stock.

The significance of this new reality for Asia and the world is obvious. On the one hand, there are the tangible benefits that development seems to offer.

On the other, the environmental dangers that proponents of sustainable development have long predicted. Yet, as one looks at the interplay among efficiency, growth, productivity and the environment, the Asia region has the potential for reinventing its industrial regime, for launching a clean revolution, much as it did a generation earlier in agriculture with the green revolution.

Asia isn't just some other emerging market. It defines development and is where the idea of sustainability will be most seriously challenged over the next generation. A Clean Revolution in Asia is in everyone's interests.

Owen Cylke,
senior fellow,
Tata Energy & Resources Institute,
Washington DC,
US

Eurotunnel timescale too short

From Mr O.J. Faber.

Sir, I have never understood why Eurotunnel was ever granted such a short concession. It took effect on July 29 1987, originally to last 55 years. Later, it was extended to cover a period of 65 years (until 2052).

It would appear to me that a concession expiring in 2093, and thus effectively covering a period of 99 years after the tunnel becoming operational (like the Suez Canal concession), is much more in line with the complexity and the sheer size of the project.

A concession lasting nearly a century would enable Eurotunnel and its banks to work out a realistic and acceptable repayment scheme without forgetting the shareholders.

O.J. Faber.
2717 BC Zoetermeer,
Cesar Franckrode 73,
The Netherlands

Too pessimistic about forecasts

From Mr Jeremy Weltman.

Sir, John Kay's recent article ("Cracks in the crystal ball", September 29) rightly implies that economic forecasts should be treated with a great deal of caution, but is too pessimistic with regard to their usage. Indeed, what is perhaps least understood by critics of forecasting, but of paramount importance, is that forecasting *per se* represents the best available (scientific) view of the future at the date the prediction is made.

Furthermore, projections of turning points in economic series – ie indications of future risk to current plans, rather than their absolute values – are still important to the end-user (for example the industrial planner) even if subsequent outturns differ by several percentage points. Professor Kay's assertion (based on research undertaken by London Economics) that forecasters tend to cluster around the consensus does not wholly bear out, however.

While it may be more true for UK forecasters, the clustering is less evident in similar surveys for other generally more-volatile "emerging market" countries, such as Venezuela. But the added advantage of consensus-type products lies in their regular sampling (often monthly) which permits users to spot changes in forecaster opinion.

Indeed, identifiable trends in consensus forecasts from month-to-month are a familiar occurrence, as forecasters gradually alter their estimates in the light of new information.

Spotting these movements at an early stage is an important tool in the effective use of forecasts.

Jeremy Weltman,
deputy editor,
Consensus Economic Inc.
53 Upper Brook Street,
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Wrong way

From Mr Mark Griffith.

Sir, Gerd Hausler, a member of the Bundesbank's directorate, described planned EU monetary union as a "fait accompli" based on "compulsion so as to reach the point of no return" as quickly as possible ("German attack on plan for Emu opens fresh split", September 29). This sounds a lot like compulsory metrication, another uniformity fetish being imposed because everyone else is imposing it.

Since we are all going to have to change back in 10 years' time when we realise the US is still the world's biggest and most open market, we could all save a lot of time and money now. Some east Europeans keen to sell to the Americans are already going the opposite way and learning to use English measures.

Mark Griffith,
Hungarian News Agency,
Galamb utca 3 (II/1/Pál),
Budapest, Hungary 1052

Argument about windfall tax confirmed

From Mr Dominic Hobson.

Sir, Mr Geoffrey Robinson's letter (September 28) was intended to refute your argument that the proposed windfall tax on the privatised utilities was arbitrary and opportunistic. Unwittingly, it merely confirms the truth of your observations.

Mr Robinson's argument that the impact of the £2.5bn heist will leave gearing and interest cover ratios within the levels set by the regulator roughly translates as "they can afford to pay". His second argument, that it will "accelerate the reduction in the industry's presently excessive real rate of rate of return" is a euphemism for the belief that "they are making too much money".

Last, asking shareholders to pay a tax on the grounds that their assets have "outperformed the market as a whole both in dividend growth and rate of return" is an argument for levying a windfall tax on any company whose share price beats the index.

As you rightly pointed out, the windfall tax is opportunistic, retrospective, arbitrary, inefficient and a bad precedent. It is a cynical ploy, designed to take political advantage of some deservedly unpopular private companies.

Dominic Hobson,
62 Manchuria Road,
Battersea,
London SW11 6AE, UK

Business school fund raising approach not one to support

From Mr Graham Gould.

Sir, As an alumnus of Insead I was interested to read of its intention to increase fund raising activities among alumni (Business Education: "Insead launches fundraising drive", October 2).

I found Insead invaluable for my career and I met people there who have become some of my closest friends. Undeniably, it was one of my best decisions when I decided to go, I would recommend it to anyone. However, I do not feel I owe Insead anything. I paid my fees, and it delivered what it promised – it was a commercial transaction.

I give money to charities that I consider to be worthy, and I cannot think of a list of needy institutions that would be long enough to contain the name of any business school. Business schools exist primarily to help businesses to perform better, and for individuals to improve their skills and their market value. These are laudable objectives and they have a clear value. A donation to a business school may improve an already very acceptable quality of life for a business executive – unfortunately, there are many people in the world who do not have an acceptable quality of life. These are the real causes that people should support.

Business schools should understand more than anyone that, as a commercial organisation, if you cannot generate enough money from the services or products you provide to sustain your activities then the market is telling you something.

Graham Gould,
partner,
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FINANCIAL TIMES

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Tuesday October 10 1995

Steps towards a tougher IMF

Judged by the standard of past attempts at self-reform, the International Monetary Fund's response to the Mexican crisis looks positively brisk. By the end of this year's annual meetings, now under way in Washington, the members will have agreed on measures which respond directly to the failings highlighted by the Mexico debacle.

In principle, at least, the new measures address two sides of the IMF's role in the international financial system – first, as a potential preventer of crises such as Mexico's and, second, as the provider and manager of emergency cures. Everyone is agreed that gaps in Mexico's published economic data over the course of 1994 played a part in hiding the country's deepening crisis from external investors. The new data standards agreed by the IMF's executive board over the weekend will not prevent other governments from hiding their problems. But they will at least establish a benchmark against which countries' candour may be evaluated.

Though helpful in their own right, the new rules stop short of giving the IMF a more explicit role as an "early warning system". Officials promise to be "more pointed" in private consultations with problem countries. But anyone hoping that they would force greater transparency on countries, by revealing their own views about them, will be disappointed.

The IMF is never going to relish the role of whistleblower – nor is it clear that such a function should be imposed on it. The Fund worries, understandably, that greater openness on its part would make governments even more wary of confessing their troubles. It would also carry a further danger, that crises triggered by its "early warnings" would be blamed on the Fund rather than on the governments and policies which made them necessary.

Tidying up the IMF's procedures for providing emergency financing is another sensible change. In effect, the new procedures merely formalise the arrangements used to give exceptional assistance to Mexico. But member governments which were disgruntled by the last-minute arm-twisting involved in agreeing the Mexican package now have at least some assurance that, next time, they will not be offered a *fait accompli*.

The weekend meetings also won agreement, in principle, on expanding the emergency credit lines available to the IMF under the "general arrangements to borrow". This, too, is welcome – taken together, the new "emergency finance mechanism" and the expanded credit line mean that the IMF is prepared, on paper at least, to cope with short-term liquidity crises.

Elaborating procedures for dealing with emergencies is one thing: deciding when and how they ought to be applied is quite another. Notwithstanding the progress of recent days, this trickier, but more fundamental, question arising out of the Mexico crisis has not yet been answered.

Caspian sense

The fact that US President Bill Clinton found it necessary to spend 25 minutes on the telephone last week to Azerbaijan's President Heydar Aliyev underlines the strategic importance of yesterday's decision on the routing of oil exports from the Caspian Sea. Some believe that oil and gas from the Caspian and further afield in central Asia will be as important for world energy supplies in the next century as the Gulf has been in the present one.

After months of intense lobbying, threats and blandishments from Russia, Turkey and the US, the international oil consortium set to exploit the new Azeri oilfields has decided in principle to route its initial output both through Russia's pipelines, and via an alternative Turkish-sponsored route through Georgia to the Black Sea. How precisely the oil will be divided up has been obscured by confusing pronouncements, enabling all sides to claim victory. But if the net result is that oil from Caspian reaches western markets through more than one outlet, that can only be welcome for future consumers.

If the Russian pipeline was routed through an area less hazardous than Chechnya, where Russia has failed to re-establish its authority, and if Moscow's record as a reliable economic partner were established beyond all question, it would probably have made sense to send all the "early oil" through the Russian system.

The US in particular, backed by Turkey, was determined not to allow Russia that sort of stranglehold over such a vital future resource. Hence their joint determination to ensure that alternative routes were used. In the short term, that will be through neighbouring Georgia, whose political stability is also fragile. In the long term, an overland pipeline to Turkey appears to be a serious option. That would probably have to run through Armenia, which is still in a state of virtual war with Azerbaijan. All routes run through potential war zones.

Pipelines from the Caspian could be a source of prosperity and reconciliation, or they could provide the fuel for further conflict. For the leaders of Georgia and Azerbaijan, a torrent of oil money will increase the temptation to reconquer the territories they lost in the collapse of the former Soviet Union. On the other hand, officials in both Russia and Turkey have hinted that an agreement on the pipeline could somehow be linked to resolution of the Nagorno-Karabakh conflict between Azerbaijan and Armenia.

This may be too ambitious a goal for the immediate future, but all the governments concerned should work to ensure that rivalry over the pipeline routes does not exacerbate the existing regional conflicts. Yesterday's compromise – thanks to firm US intervention – is a step in the right direction. A deal in defiance of Russia would have been impossible to sustain. This one acknowledges Russia's interest, without allowing it a stranglehold.

Lloyds and TSB

The potential merger of two of the best known names in British retail banking, Lloyds and TSB, inevitably raises questions for competition policy, especially after Lloyds' recent swoop on the Cheltenham & Gloucester building society. Yet there is less cause for concern here than in Lloyds' approach to Midland Bank in 1992, when a reference to the Monopolies and Mergers Commission forced Lloyds to withdraw, leaving the field to Hongkong and Shanghai Banking Corporation.

TSB is nowhere near as big a force as Midland in small business lending, which was one of the chief areas of sensitivity in the earlier bid. And if the retail banking sector is properly defined to include the building societies, Britain has far more nationwide banking institutions than Germany, France or Italy. The reality of the UK retail banking market is visible in the high street: a plethora of brand names attached to products that are not greatly different from one bank to another.

Britain is overbanked for the understandable reason that in the days of clearing bank and building society cartels, setting up new branches was a natural form of non-price competition. Today the cartels have gone and price competition is powerful on both sides of the bank balance sheet. It is inconceivable, in this large, liquid and transparent market, that a Lloyds-TSB combination would drive up prices.

As for the insurance interests of the two banks, the argument is marginally less clear-cut, since Lloyds Abbey Life remains a majority-owned quoted subsidiary. Both banks have a bigger historic commitment to life assurance and pensions than their immediate banking competitors, with a combined share of new business that would put them within striking distance of the industry leaders such as Prudential and Standard Life. Yet the insurance and pensions markets are too fragmented for that to constitute an excessive market share. They also face a shakeout in a regulatory environment that belatedly encourages transparency and competition. The case for a monopolies reference thus looks unconvincing.

In this more competitive climate, the rewards in mainstream retail banking will go to the low cost producers. A consolidation is under way – witness the merger between the Halifax and Leeds building societies and Abbey National's bid for National & Provincial. It has much further to go.

As in the current spate of bids in the US, acquisitions and mergers offer a means of cutting through the inertia of existing corporate cultures in tackling the cost base. They also allocate the pain of reducing industry overcapacity, which falls most heavily on older, less adaptable employees. As Professor Charles Handy has pithily observed, half the people, paid twice as much, producing three times as much, is a good corporate rule of thumb – except for the other half of the people. The political fall-out is as obvious today as the surfeit of banks in the streets.

A merger made in heaven

The shape of a combined Lloyds-TSB group is already becoming clear, say **Alison Smith** and **Patrick Harverson**

The first cost saving from the proposed merger between Lloyds Bank and TSB, two of the UK's largest high-street banks, became evident yesterday morning when Sir Brian Pitman, Lloyds chief executive, gave Sir Nicholas Goodison, TSB chairman, a lift into London from Heathrow airport.

After speculation that Lloyds was on the brink of an acquisition, both had cut short their attendance at the International Monetary Fund conference in Washington to put the final touches to a merger deal.

The combined Lloyds-TSB group would be the UK's largest high-street bank, with a market capitalisation of about £15bn. As a banking group, it would be smaller only than HSBC, which owns Midland Bank.

The merger represents Sir Brian's third attempt to bring together two UK banks. In 1986 Lloyds failed in its attempt to take over Standard Chartered with a mix of preference shares and cash. Three years ago its "proposed" £3.7bn offer for Midland Bank using ordinary shares and cash also came to nothing. With Sir Brian's postponed retirement due at the end of next year, this latest proposal could also be his swan song.

Details of the deal have not yet been announced – although a statement could come as early as tomorrow – but its shape is already becoming clear.

Lloyds' shareholders will own 70 per cent of the combined group, with TSB shareholders owning the remaining 30 per cent. It would value TSB shares at 329p and TSB shareholders would receive a special dividend of 68p net per share.

Initially, at least, the two separate banks will maintain their identities in order to cater for different sectors of the personal banking market. The virtue of keeping both brands, as one analyst sees it, is that "TSB would be used as the mass-market brand while Lloyds becomes the upmarket brand".

Sir Brian would be chief executive of the Lloyds TSB group, while Mr Peter Ellwood, TSB chief executive, would have responsibility for integrating the management and administration of the two banks' retail operations. Mr Alan Moore, Lloyds deputy chief executive and treasurer, would be responsible for bringing together the wholesale sides of the businesses.

"North-south is the key to this deal," one observer commented yesterday, in a reference to the two banks' branch networks. Lloyds' 1,800-branch network of high street branches is strongest in the south of England, while TSB's 1,100 branches are mainly in northern England and Scotland.

While both banks have had a strong focus on personal customers, the rationale for a combined network lies not in personal banking but in business customers.

Lloyds has about 15 per cent of the small business market but has been restricted in further increasing its share by the spread of its network: small business customers require face-to-face and branch contact. Despite its extensive network, TSB has not really focused on this area, and has just 3 per cent of the market.

The combined operation would have, at 18 per cent, a lower share of the small business market than National Westminster Bank. But its prospects of expanding market share would be enhanced by taking the Lloyds expertise into TSB branches.

In other areas of business, the merger would help in filling some gaps. TSB is seen as having a more advanced telephone personal banking service, which banks see as ripe for expansion. Lloyds has a private bank that provides banking service to very wealthy individuals, while TSB does not.

Perhaps more important, the deal would create a new candidate to succeed Sir Brian Pitman when he retires at the end of next year. Having held a range of banking jobs, Mr Ellwood, 52, immediately becomes a leading candidate in the absence of any strong contenders inside Lloyds.

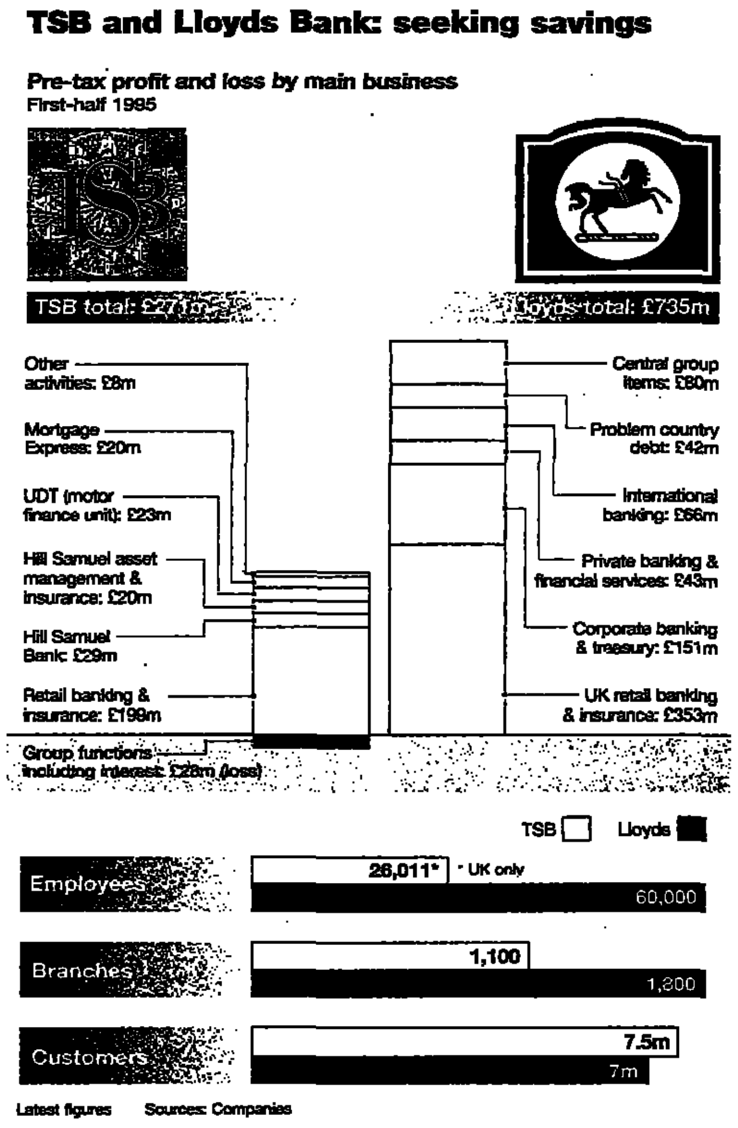
He joined TSB as head of retail banking in 1989, after being chief executive of Barclaycard, and having spent more than 20 years at Barclays Bank. As TSB chief executive, he has been regarded as safe and competent, though overshadowed in public relations terms by Sir Nicholas Goodison.

"Since he's been chief executive he has not put a foot wrong. But it's fair to say he's not done anything spectacularly right either," was one analyst's comment.

If Sir Brian's intention was that Mr Ellwood should prove himself before being named as successor, he could scarcely have given him a more challenging task.

Given the geographic spread of the two networks, the potential difficulty is not the usual one of having to cut the number of branches drastically or put through large numbers of compulsory redundancies. It will be in making two businesses with very different cultures fit together.

One significant difference is in the handling of insurance and other financial products, a sector of growing importance to banking.



Last year TSB combined its banking and insurance operations by integrating sales staffs into a single team. This complete integration has been admired by competitors in the business of "bancassurance" which are also selling products such as life assurance and pensions through branch networks.

In contrast, Lloyds has adopted the opposite strategy of segmenting its personal financial services, developing different elements of the retail business as autonomous operations.

Thus, Cheltenham & Gloucester, the building society taken over earlier this year, is the bank's mortgage lending arm. Life assurance and pensions are sold through Black Horse Financial Services, part of Lloyds Abbey Life, its insurance subsidiary.

If the two businesses were to be brought together, even with separate brands, rather than simply being run as stand-alone operations within the same group, then TSB's integrated retail operation would presumably have to be split up into the same sectors as Lloyds.

As the banks and their advisers put the finishing touches to the statements on the merger, expected to be issued on Wednesday, they will be aware that questions have already been raised about the merits of the deal.

There will be particular scepticism about the likely scale of cost savings if the two branch networks are broadly maintained and the two separate identities maintained. The merger represents a further concentration of Lloyds on the domestic UK market, where competition for personal customers is fierce and margins are under pressure.

But Mr John Leonard of Salomon Brothers is positive about the likely savings whatever happens to the brands. "Most of the savings will come from the back office and headquarters," he says.

There are more specific hurdles as well. Regardless of market share in particular areas of banking, TSB's asset size is enough to trigger an investigation by the Office of Fair Trading into whether to recommend that Mr Ian Lang, the Trade and Industry Secretary, should refer the merger to the Monopolies and Mergers Commission.

Initial political reaction has been muted, but if the deal goes ahead and there seems a risk of widespread redundancies, then the banks can expect to come under fire in parliament.

This is not something they could ignore. At some stage, Lloyds will have to sponsor a private bill to merge the two banks' licences if they want to transfer customers between the banks without their individual consent. While this does not have to delay the deal – which could otherwise be completed by the end of the year – it means that the banks could come under searching scrutiny from MPs who would have to approve the legislation.

Nor can Lloyds assume it will have the field to itself. Analysts believe there are other banks likely to be attracted by the merits of a deal structured along the lines of Lloyds' plan.

As they see it, if Lloyds can put together an all-paper deal with a special dividend funded almost entirely from TSB's surplus capital, then others might do the same. Mr Leonard says: "I suspect a few other folks may be doing some quick numbers on TSB."

If the deal goes ahead, perhaps even after a counter-bid, it may still raise a question about Lloyds itself – whether the immediate increase in size might undermine the ability to react quickly to events that the bank has shown under Sir Brian.

Much will depend on how well Mr Ellwood brings the two organisations together. If he succeeds, it will vastly increase his chances of leading Lloyds TSB into the new millennium.

More mergers may be on the way, says **John Gapper**

A precedent is set

Lloyds' attempt to merge with TSB Group could signal the start of a fresh wave of banking mergers to match that of the 1960s. Banks are now flush with capital and are struggling for revenue in a low-inflation economy. Those that do not shrink by returning capital to shareholders must find ways of cutting costs, and a merger is the most obvious way.

"This will be the first of many," says Mr Richard Coleman, analyst at Smith New Court, the stockbroker. He argues that Royal Bank of Scotland, Bank of Scotland and even Abbey National are now obvious targets for larger banks hunting for suitable merger partners.

The main precedent set by the deal is that Lloyds is proposing to gain control of TSB not with its own cash but with a combination of its shares and TSB's cash pile. The 68p ($1.07) special dividend to shareholders will be paid from TSB reserves. This will allow the acquisition of a bank with a market capitalisation of £5.1bn – compared with only £3.8bn for Royal Bank.

If there is a wave of takeovers and mergers, it will recall the period in the 1960s when the Bank of England encouraged a number of mergers which reduced 11 large banks to the present "big four" of Barclays, National Westminster, Midland and Lloyds.

Since then, there have been periodic attempts at consolidation in the sector. In 1981, Standard Chartered made a bid for Royal Bank, and there was a counter offer by Hongkong and Shanghai Bank, but both bids were blocked by the Monopolies and Mergers Commission. In 1986, Lloyds made an abortive bid for Standard Chartered, which mounted a successful defence.

But only the half-hearted 1992 attempt by Lloyds to take over Midland was a real precursor. For that deal was predicated on the same forces that governed yesterday's announcement: the rationalisation of an industry that employs too many people, has too many branches, and in the past two years has started to acquire more capital than it needs.

Bank of Scotland exemplified the state of the industry in its half-year results last week, when despite increasing its market share of lending, it reported only a marginal rise in operating profits before bad debt provisions. Banks will soon come to the end of falling provisions, and are faced with the stark prospect of pre-tax profits falling year-on-year.

UK banks have watched US banks coming to grips with similar forces more briskly. The US industry has led the way in returning capital to shareholders. It has now embarked on a large wave of consolidation, with the recently announced merger between Chemical Banking and Chase Manhattan illustrating that even market leaders can come together.

The UK banking industry has also lagged behind that of other European countries. According to Merrill Lynch, the US investment bank, the share of banking assets held by the top four UK banks is 28 per cent, compared with 60 per cent in France and 75 per cent in the Netherlands. There has been significant consolidation since 1987 in France, Spain and Denmark.

The prospects for UK consolidation have supported share prices of quoted banks such as TSB, Royal Bank and Standard Chartered for some years. Yet the speculation may now extend more widely. Given that a Lloyds-TSB combination would have up to 14.5m customers compared with Barclays' 7m, the chance of two of the big four attempting to merge cannot be discounted.

In practice, a merger within the big four would almost certainly be scrutinised by the Monopolies and Mergers Commission because it could reduce competition in the small business market. But it would not automatically be barred, and the Chase-Chemical merger could be a model for a tie-up between two of the biggest banks in the UK market.

The deal also casts further doubt on the long-term future of large building societies such as Nationwide, Alliance & Leicester and Woolwich. Conversion to public status would give any of them five years' protection from takeover under the Building Societies Act. But a lot of banks would put a reminder in their diaries for when the five years were over.

OBSERVER

Punch-up for Brussels?

■ For the first time since Ingemar Johansson beat the great Floyd Patterson at the Yankee Stadium in 1959, Sweden again has a world champion boxer. Lightweight George Scott beat Rafael Ruelas to take the WBU title on Saturday night in the Bahamas. Now he wants a big pay-day defending his belt in front of his home fans.

But George will have to wait a long time. Professional boxing matches have been outlawed in Sweden since 1970 and a vote last year in parliament confirmed the ban. Sweden's 15 professional boxers are doomed to fight abroad – George has moved from his home town of Vesteras in rural Sweden to Miami to train.

There was little sign yesterday that any change in the law is likely as a result of George's victory. "It is a question of violence," said a member of parliament's culture committee. But George wonders whether he might not find help from – of all places – Brussels. He wants to find out if the Swedish contravenes European Union laws against restraint of trade.

Geneva fall-out

■ Many of those who did not reserve hotel rooms for the monster Telecom '95 jamboree in Geneva, which ends today, at least a year in advance found themselves commuting from hostels up to 50 miles away.

Others were fortunate enough to be directed to one of the city's collective nuclear bomb shelters, where accommodation was in a modest dormitory style. As was the price, at SFr25 a night – though no breakfast. The location, between the railway station and the lake, could hardly be improved upon, "and they are extremely clean," enthused the city's tourism spokesman Marc Grangier. Cheap, clean, convenient: maybe that's why they're a favoured haunt of the ladies of the night?

Ground controller

■ Whisperings were heard from both passengers and air crew on the BA flight from Larnaca to London at the weekend; what was Glafkos Clerides, President of Cyprus, doing on board? "It doesn't say much for Cyprus Air," sniffed one stewardess.

In fact Clerides, who was staying overnight in London before boarding a morning BA flight to the US, was being very patriotic indeed – saving money for Cypriot taxpayers. "BA offered a package for the whole trip that worked out cheaper than what it would have cost if we had had a free flight with Cyprus Airways to London," said a presidential aide. If only more presidents thought so highly of their constituents.

Up for grabs

■ If there's one man the Danish government would like to export to Brussels, it's Uffe Ellemann-Jensen, leader of the Liberal Party and foreign minister between 1982-93.

The government now has a chance. Uffe, as he is familiarly known in Denmark, is a possible for NATO secretary-general if Willy Claes is forced to resign.

But if the offer should come his way, Ellemann-Jensen faces a serious dilemma. For his party has recently moved ahead of the Social Democratic Party – which dominates the present coalition government – in the opinion polls, making the Liberals the biggest party in the country.

And while the next election to the Folketing is not due until September 1997, Danish parliaments rarely last a full four-year term. The average is just two years – which makes this autumn a likely moment to hold a new election.

Oh dear oh dear – who'd be blessed with such a surfeit of opportunities...

Very bad behaviour

■ Yesterday's official English-language daily *Vietnam News* reports that an export processing zone near the northern Vietnamese city of Haiphong has had its licence revoked, because the Hong Kong company behind the $150m venture failed to cough up the promised cash. Perhaps it should go in for a name change: it's called the Very Good International Group.

A word in your ear

■ France's President Jacques Chirac made great play during his election campaign of the need to eradicate elitism and social divisions, not least by reducing the power of the so-called *enarques* or graduates of the elite training college, the Ecole Nationale d'Administration.

That was all of five months ago. Now we find the foreword in the brochure celebrating the college's 50th anniversary is written by... Jacques Chirac, who is, of course, an *enarque*.

You remember me?

■ The government-controlled Iraqi newspaper *Al Iraq* recently published 45 photographs of President Saddam Hussein in a single issue. Hardly Guinness Book of Records stuff, but it comes in the context of a referendum next Sunday, which will ask Iraq citizens if they favour Saddam staying in power.

What could be more natural than a red hot marketing campaign reminding voters who he is?

The Financial Times

100 years ago

French colonial estimates
Paris: According to a statement made before the Budget Committee today by M. Chautemps, Minister for the Colonies, the Soudan expenses, which last year amounted to 12m Francs, are estimated for the present year at only 8.5m Francs, including construction of a road and telegraph line between Konakry and the Niger. M. Chautemps said 1.8m Francs would be required to supply modern arms to the French troops, who are at present worse provided with weapons than the pirates and dacoits.

50 years ago

The Sterling Rate
During the last month or two there have been persistent rumours of a devaluation of Sterling. Under the Bretton Woods plan, it would be necessary to decide on the exchange rate before the end of this year. A section of opinion overseas – especially in the United States – appears to have gained the impression that we regard devaluation almost as a routine method for stimulating exports and should be prepared to devalue the pound on the slightest excuse.

FINANCIAL TIMES
Tuesday October 10 1995

Nunn's resignation puts Democrats on defensive

By Jurek Martin in Washington

Senator Sam Nunn, the Democrat from Georgia and the reigning congressional expert on defence issues, announced yesterday he would not seek re-election next year for a fifth six-year term.

His decision severely weakens the upper ranks of the Democratic party in the Senate and makes it all the more improbable that the party, currently in a 46-53 minority with one vacancy, can regain control of the chamber next year.

Mr Nunn becomes the eighth of the 15 Senate Democrats up for re-election to quit, against only one of the 18 incumbent Republicans. His seat is considered an almost certain Republican gain, given the South's shift to the right in recent years.

The 57-year-old former chairman of the Senate armed services committee postponed his announcement from last Tuesday because it clashed with the verdict in the OJ Simpson murder trial.

He said in Atlanta his reasons for retiring were entirely personal. "I know in my heart it is time to follow a new course," he said, without specifying what that might be. His decision had been increasingly expected in Washington.

President Bill Clinton, who considered appointing Mr Nunn as his first secretary of defence, said he was "grateful" for the senator's "wise counsel" and hoped he would remain active in Democratic politics next year.

Congressman Newt Gingrich of Georgia, the Speaker, was among several Republicans to regret the loss of Mr Nunn's expertise. But, he added: "It is clear that the Democratic party is not the vehicle for the values outlined by Senator Nunn."

The senator, who briefly considered running for president in 1988, has been mentioned as a possible independent presidential candidate next year, along with another retiring senior Democratic senator, Bill Bradley of New Jersey. But there was nothing in his remarks yesterday to indicate that he was thinking along such lines.

Either senator might appeal as a potential running mate for retired General Colin Powell should he decide to seek the presidency as an independent rather than as a Republican.

Mr Nunn and Gen Powell, known to have a high regard for each other's abilities, were members of former president Jimmy Carter's mission to Haiti last year which averted a full-scale US military invasion of the island. But there is no evidence yet that Gen Powell is leaning in favour of a candidacy.

Mr Nunn was first elected in 1972 and was returned three more times with over 80 per cent of the vote, in spite of Republican gains elsewhere in Georgia.

In 1985 he was a founder member, along with then-Governor Clinton of Arkansas, of the influential Democratic Leadership Council, a group of party moderates with a predominantly southern base.

He became chairman of the armed services committee in 1987 and immediately led the battle against President Ronald Reagan's "star wars" space-based defence system on the grounds it would effectively nullify the 1972 anti-ballistic missile treaty with the Soviet Union.

Colin Powell in London, Page 9

Brussels set to back $5.2bn packaging merger

By Emma Tucker in Brussels

The European Commission is likely to approve a proposed alliance between Crown Cork & Seal of the US and France's Carnaud-Metalbox, creating the world's largest packaging company, according to industry officials.

Closed hearings for competitors worried about the $5.2bn deal, in which CCS will acquire CMB, took place in Brussels yesterday. Opposition to the merger appears to be muted and the Commission is expected to impose only limited conditions on the alliance.

"I think approval is almost taken as a *fait accompli*," said Mr Robin Davis, director of the Metal Packaging Manufacturers' Association. "The companies are expecting to have to make some changes and have said they will do so."

The Commission's merger task force has until the end of November to give its final verdict on the deal. It is rare for the Commission to block a merger, particularly where industry opposition is low-key.

"Overall there is very considerable confidence that the deal will go through," said one lawyer close to the case. "The only debate is over the scope of the 'fix' necessary to achieve this."

This "fix" will probably centre on divestments in the market for tinplate aerosol cans of the kind used for air fresheners and hairsprays.

When the Commission announced an investigation into the merger, it noted that the combined market share of the two companies in tinplate aerosol cans would exceed 60 per cent of the European market.

Companies such as Germany's Schmalbach-Lubeca – the closest competitor in tinplate aerosol cans – have quietly made their case to Brussels and industry sources suspect the Commission will ask CCS to divest some capacity. Mr William Avery, chairman of CCS, has already indicated he would be willing to do just that.

A second point of concern is the European market for food cans, of which the merged group would have a market share of between 40 and 50 per cent. However, the Commission has said that while CMB has a large share of the market in most European countries, the only countries where the share would rise significantly are in Belgium, the Netherlands and Luxembourg.

Brussels is also worried that the size of the new company would allow it to buy raw materials such as tinplate at lower prices, putting extra competitive pressure on smaller tinplate suppliers.

The last of the Commission's worries concerns the range of bottle tops the merged group could offer, although this, too, has attracted little opposition.

THE LEX COLUMN

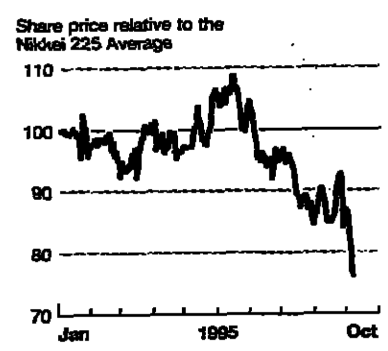
Ministry of Truth

Japan's finance ministry may be the biggest loser from the Daiwa debacle. Its already dwindling reputation for frank dealing has been further damaged by its admission that it was told about the bank's huge losses in New York nearly six weeks before the US regulatory authorities were informed. Worse still is the fact that the ministry admitted its early knowledge of the problems only after Japanese press reports flushed it out. It previously said it knew of Daiwa's problems on the same day that the US authorities were told.

At the very least, the ministry has been economical with the truth. Its line is that, although it was told Daiwa's losses were huge on August 8, it knew the details only on September 12. But why did the ministry not give its US counterparts a preliminary warning earlier? Why did it not press Daiwa to reveal the details much more quickly? And why did it dally a further six days until September 18 before informing the US? The ministry has yet to give credible answers to these questions. And so long as adequate answers are not forthcoming, there will be a suspicion that the ministry has more to hide.

Cynics will say that there is nothing odd in that. After all, the ministry has been helping hide other gigantic losses in Japan's banking sector throughout the 1990s. But the Daiwa affair is different for two reasons. First, the ministry's lack of frankness in this case is more specific than its normal obfuscation. Second, given that the losses occurred in New York, US regulators had a legitimate interest in being told what had happened. The repercussions could extend beyond the Daiwa debacle. Given that the ministry has been economical with the truth in this case, people may lose faith in its pronouncements on other situations.

FT-SE Eurotrack 200: 1517.8 (-6.7)



Source: FT Extel

Lloyds/TSB

There are several good reasons for Lloyds and TSB to merge, but cost savings through a heavy programme of branch closures do not appear to be one of them. In fact, the rationale for the merger currently under discussion is in large part the fit between the TSB's franchise in Scotland and the north of England and Lloyds' strength in the south. As well as creating a broader retail banking base, this additional branch network would allow Lloyds to extend its small and medium-sized corporate lending business, an area where TSB has been weak. Of course, some savings would be generated even without widespread closures. But cutting head office and back office costs alone would not provide substantial windfalls for investors.

The deal would, however, address concerns about Lloyds' future earnings growth. Although the deal would initially be dilutive, the strategic logic in areas like mortgage lending, where the new group would become the third largest lender, is strong.

The remaining question is whether the price is right, or rather whether anyone else might pay more. The terms under discussion, valuing TSB shares at 329p including a special dividend of 68p net per share, are not particularly generous. The proposed deal values TSB shares at 14 times 1995 earnings and around 2½ times book value, in line with other transactions in the sector. On the other hand, the structure of the deal has attractions for TSB shareholders: the fact that they would receive paper is good, since the stock market has pushed up the value of Lloyds shares; meanwhile, the special dividend would allow non-taxpaying shareholders to reclaim advance corporation tax.

There is scope for other bidders to emerge. But foreign banks are typically more interested in investment than retail banking, despite the profitability of UK retail business. And since there would be no cost savings for a bank without any existing UK business, the price cap for any sensible foreign bidder would probably be fairly low. More likely contenders are other UK banks, with old foe Midland, now under the auspices of HSBC, top of the list.

The Lloyds/TSB deal could prove the largest in the current spate of mergers and acquisitions in the sector but it is hardly likely to be the last. TSB has been hovering in a lonely middle ground between the big clearing banks and small niche players. As the UK banking sector consolidated, its independence was bound to come under threat. If anything, the deal may reinforce the message to the remaining sizeable building societies that it is hard to avoid being snapped up.

RTZ/CRA

RTZ's merger with 49 per cent-owned Australian associate CRA may seem like a crafty way to receive many of the benefits of a takeover without paying any premium. When BTR recently announced a merger with Australian subsidiary BTR Nylex, it offered a 34 per cent premium for a company it controlled. Financially conservative RTZ would have been unwilling to take a similar route. If it had paid a 25 per cent premium in cash, the ratio of its debt to market capitalisation would have risen to almost 50 per cent – with no short-term cost benefits with which to justify the deal.

Instead, RTZ has adopted a structure similar to Unilever's. RTZ and CRA shareholders get a share of the merged company equivalent to recent average stock market values. This is fair. RTZ shareholders gain direct control of CRA's substantial cash flow – almost equal to that of RTZ – in exchange for sharing out 23.5 per cent of a larger cake. CRA gains geographical and product diversification and gets short-term earnings enhancement as well. Moreover, shareholders continue to receive franked dividends, so they avoid paying more tax.

Since there appears to be no strategic divergence between the groups, it should be a reasonably smooth transition. Nonetheless, it will take some time before the management can demonstrate that one plus one equals more than two. RTZ's increased exposure to what are generally later cycle commodities such as coal and iron ore is offset by short-term earnings dilution. Given a more stable earnings base, the management should at least be more comfortable with higher debt levels, but there is hardly a surfeit of deals for them to fund. The main benefit may come from more efficient use of the combined groups' $250m-plus exploration budget. But such benefits will be a long time coming.

Phones stake

Continued from Page 1

national connection in Russia your success rate is probably about one in three, and this is what is holding it back. But this is what an international telecommunications operator can help with."

The Russian government has speeded up the search for a major investor in part because its receipts from privatisations this year have fallen far short of its ambitious target of Rbs9,000bn ($2bn).

Mr Boyko acknowledged that need to hurry the sale meant that the 25 per cent stake might fetch less than it could otherwise bring in. But he said that the need for investment in telecommunications infrastructure was so large that the sale could not wait.

Daiwa Bank

Continued from Page 1

effect. Mr Sumio Abekawa, the chairman, would leave next March after full details of the losses have been disclosed and accounted for.

The new president is Mr Takashi Kaiho, at present deputy president.

Mr Kaiho, 58, has been with the bank for 36 years.

Daiwa faced further embarrassment yesterday when finance ministry officials disclosed that another of the bank's New York offices had apparently failed to report a $90m loss in bond trading to US and Japanese regulators in the mid-1980s.

Daiwa Bank has no connection with Daiwa Securities, the broker.

Bosnian threat to delay ceasefire in row over conditions

By Laura Silber in Belgrade, Harriet Martin in Sarajevo and agencies

The Bosnian government last night threatened to delay the start of a US-sponsored ceasefire, due to begin early today, after complaints that preconditions, including the restoration of gas and electricity supplies to the capital Sarajevo, had not been met.

The Bosnian threat was a severe setback for the Clinton administration, which announced the ceasefire last week and planned to use it as a starting point for negotiations on a lasting peace for the region.

Hr Hasan Muratovic, Bosnia's minister for relations with the United Nations, said there would be "no ceasefire because nearly none of the conditions have been met".

Russia insisted last night there was no reason to delay the ceasefire and claimed that hitches in restoring the supply of Russian gas to Sarajevo were not Moscow's fault.

However, prospects for the ceasefire steadily worsened yesterday as Nato aircraft bombed Bosnian Serb military positions near Tuzla, the government stronghold in north-eastern Bosnia, and fighting escalated around Bosnia ahead of the truce deadline of midnight.

Earlier, UN commanders called for Nato air support after a Norwegian peacekeeper was killed when a Serb shell fell near a UN base in Tuzla. Nato jets responded by dropping laser-guided bombs on a Bosnian Serb military control bunker judged to have co-ordinated the attacks. On Sunday, Nato aircraft had been unable to attack targets because of poor visibility.

Last night, representatives from the warring parties and the UN were due to meet at the airport in Sarajevo to see whether the conditions had been fulfilled for the ceasefire to go ahead.

Mr Omar Sacirbegovic, a foreign ministry adviser, cast doubt on the agreement, saying the Bosnian Serbs had reneged on a pledge to restore gas and power supplies to Sarajevo. He said the ceasefire "is unlikely for the next couple of days".

The Bosnian government had hinted that it would not comply with the ceasefire unless Nato carried out air strikes in response to Serb cluster bomb attacks in north-eastern Bosnia on Sunday in which at least 11 people, including four children, were killed.

In what appeared to be a last-minute land grab before the ceasefire was due to come into effect, fighting escalated yesterday across Bosnia. Bosnian Serbs shelled the two government-held towns of Zivinice and Kladanj, and Serb media said allied government and Croatian forces were attacking the Serbs around the towns of Sanski Most and Kljuc and in Mrkonjic Grad.

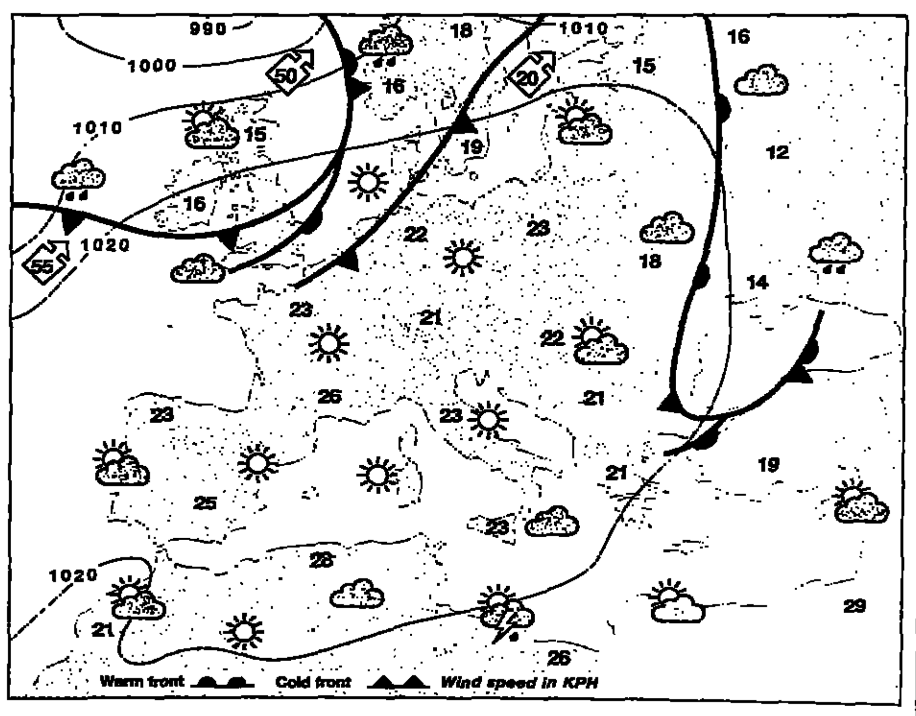
FT WEATHER GUIDE

Europe today

High pressure over central Europe will bring plenty of sunshine to western Europe. It will be unseasonably warm with afternoon temperatures ranging from 23C in south-east England to 26C in France. Southern Germany, the former Czechoslovakia and Poland will have morning fog with hazy sunshine in the afternoon. Denmark and Sweden will be warm, with temperatures between 19C-22C. A cold front will result in cloud and light rain in the western UK, followed by clearing and cooler conditions in Ireland. Southern Europe will have sunny spells, but showers are possible in south-east Spain and in Sicily.

Five-day forecast

It will continue warm in France and Spain, but a weak front will bring cloud and cooler conditions to the Low Countries, Denmark, Sweden and Germany. In central Europe, high pressure will persist resulting in a mixture of sunshine and fog. The UK will be changeable with rain and wind in the north-west. The south-east will stay mostly dry and mild. Showers will continue in the southern Mediterranean, including south-east Spain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	35
Accra	cloudy	31
Algiers	fair	27
Amsterdam	sun	22
Athens	fair	21
Atlanta	fair	23
B. Aires	fair	19
B.ham	fair	22
Bangkok	thund	32
Barcelona	fair	23
Beijing	fair	21
Belfast	shower	16
Belgrade	fair	22
Berlin	sun	24
Bermuda	fair	29
Bogota	fair	21
Bombay	fair	33
Brussels	sun	24
Budapest	fair	23
C.hagen	sun	20
Cairo	sun	29
Cape Town	fair	19
Caracas	thund	32
Cardiff	fair	20
Casablanca	fair	26
Chicago	fair	20
Cologne	sun	25
Dakar	fair	32
Dallas	fair	29
Delhi	sun	35
Dubai	sun	38
Dublin	shower	18
Dubrovnik	sun	23
Edinburgh	shower	18
Faro	sun	25
Frankfurt	sun	24
Geneva	sun	23
Gibraltar	sun	23
Glasgow	rain	18
Hamburg	sun	24
Helsinki	cloudy	16
Hong Kong	cloudy	28
Honolulu	fair	31
Istanbul	fair	19
Jakarta	fair	32
Jersey	sun	21
Karachi	sun	34
Kuwait	sun	37
L. Angeles	fair	25
Las Palmas	fair	27
Lima	cloudy	20
Lisbon	fair	25
London	sun	24
Lux.bourg	sun	22
Lyon	fair	24
Madeira	shower	24
Madrid	fair	25
Majorca	fair	25
Malta	fair	25
Manchester	fair	22
Manila	shower	30
Melbourne	fair	21
Mexico City	fair	20
Miami	thund	31
Milan	sun	24
Montreal	fair	15
Moscow	shower	12
Munich	sun	22
Nairobi	fair	26
Naples	fair	25
Nassau	thund	32
New York	sun	20
Nice	sun	23
Nicosia	sun	28
Oslo	fair	19
Paris	sun	25
Perth	fair	19
Prague	fair	22
Rangoon	shower	33
Reykjavik	cloudy	6
Rio	thund	25
Rome	fair	24
S. Frsco	fair	22
Seoul	fair	21
Singapore	shower	32
Stockholm	fair	21
Strasbourg	fair	24
Sydney	fair	21
Tangier	sun	26
Tel Aviv	sun	29
Tokyo	fair	21
Toronto	sun	18
Vancouver	rain	14
Venice	sun	22
Vienna	fair	21
Warsaw	fair	22
Washington	sun	22
Wellington	rain	11
Winnipeg	thund	16
Zurich	sun	22